Beneficial Corporation
1978 Annual Report

About the Company

Beneficial Corporation is one of the fastest growing and most profitable diversified financial companies in the world. Consumer financial services are provided to the people of six countries on four continents.

Unquestionably, Beneficial is first and foremost a marketer of money. Consumer finance is the cornerstone of our operations. Through over 1,900 offices, nearly every type of consumer credit is extended, including unsecured personal loans, second mortgages, revolving loans, credit card loans and sales finance.

Beneficial is also a major provider of insurance services. Through the Beneficial Insurance Group, a complex of both life and casualty insurers, the Company underwrites a wide variety of life, accident and health, and property and liability coverages. However, the primary thrust of the Group is the consumer credit insurance market.

In addition, Beneficial is a significant marketer of a wide variety of consumer goods through its Merchandising subsidiaries: Spiegel, Inc., Western Auto Supply Company, and Midland International Corporation.

"We Represent Beneficial"
Interspersed with the summaries of the Company's 1978 operations in this report, you will find brief photo stories about some of the people who represent Beneficial. Each of these employees will tell you about his or her most satisfying accomplishments on behalf of the Company, and the consumers they serve.

Annual Meeting
The Annual Meeting of the shareholders of Beneficial Corporation will be held on Monday, April 30, 1979 at 11 a.m. at the Company's headquarters, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Beneficial Corporation
Highlights

	1978	1977	1976	% Increase (Decrease) 1978 over 1977	% Increase (Decrease) 1977 over 1976
During the Year					
Net Income:					
Finance Division:					
Consumer Finance	$50,169,000	$47,657,000	$ 43,934,000	5.3%	8.5%
Insurance	41,297,000	30,159,000	20,681,000	36.9	45.8
Income from Finance Division	91,466,000	77,816,000	64,615,000	17.5	20.4
Income from Merchandising Division	4,356,000	7,841,000	35,792,000	(44.4)	(78.1)
Income from Savings and Loan Company	2,478,000	—	—	—	—
Total	$98,300,000	$85,657,000	$100,407,000	14.8	(14.7)
Earnings per Common Share:					
Primary	$4.19	$3.64	$ 4.52	15.1	(19.5)
Fully-diluted	$4.11	$3.56	$ 4.05	15.4	(12.1)
Dividends Paid per Common Share	$1.70	$1.60	$1.4375	6.2	11.3
Consumer Finance:					
Finance Receivables Acquired (excluding bank credit card receivables):					
Amount*	$2,690,319,000	$2,261,888,000	$1,900,279,000	18.9	19.0
Number	2,450,000	2,127,000	1,797,000	15.2	18.4
Average Amount of Transaction*	$1,098	$1,063	$1,057	3.3	0.6
Net Sales and Other Revenue—Merchandising Division	$1,115,863,000	$1,178,685,000	$1,206,346,000	(5.3)	(2.3)
At Year End					
Consumer Finance:					
Finance Receivables*	$3,015,437,000	$2,526,177,000	$2,085,042,000	19.4	21.2
Number of Accounts	2,976,000	2,451,000	2,095,000	21.4	17.0
Average Account Balance*	$1,013	$1,031	$995	(1.7)	3.6
Number of Offices	1,939	1,890	1,768	2.6	6.9
Western Auto:					
Number of Company-owned Stores	459	472	520	(2.8)	(9.2)
Number of Associate Stores	3,595	3,918	4,139	(8.2)	(5.3)
Number of Employees	25,500	25,100	24,900	1.6	0.8
Number of Holders of Common Stock	33,200	32,700	31,700	1.5	3.2

*After deducting Unearned Finance Charges.

We are pleased to report that, led by record Finance Division net income of $91.5 million, an increase of 17.5%, Beneficial Corporation 1978 Consolidated Net Income reached $98.3 million, a gain of 14.8% over 1977.

For the first time the receivable portfolio exceeded $3 billion at year end as an unprecedented gain of $489 million (19.4%) was recorded during 1978. Receivables have now advanced more than $1 billion over the past 26 months. Loan growth was vigorous in virtually every category. Second mortgages, unsecured personal loans, revolving loans, credit card loans, sales finance, leasing—all contributed strong increases, with second mortgages the most significant contributor. Second mortgage receivables are now in excess of one-half billion dollars.

Equally important as the gain in receivables was the record increase of 525,000 in the number of open accounts. At year end the number of accounts reached 2,976,000, a gain of 881,000 (42.1%) over the past two years. Obviously, gaining new customers is the lifeblood of any business; and, since our customers traditionally borrow many times during their lives, this is a particularly important operating statistic for our business.

Exceptional volume increases, however, come at significant cost in terms of direct operating expenses and advertising expenditures. Additionally, earnings are charged with a 5% reserve when a consumer loan is made. This is the largest loan loss reserve among significant consumer finance companies. Thus, while such gains as last year's are highly beneficial for future earnings, they can actually have a dampening effect on immediate profitability. These factors, coupled with the rapid acceleration of interest rates, served to put pressure on profit margins last year. Also, the Finance Division suffered a net, after-tax, foreign exchange loss of $2.8 million, compared to a loss of only $1.0 million in 1977. Accordingly, Consumer Finance earnings rose only 5.3% to $50.2 million in 1978. We are confident that we will more fully capitalize on these gains in 1979 and future years.

Insurance, the other segment of the Finance Division, recorded another excellent year in 1978. Earnings increased 36.9% to $41.3 million from $30.2 million in 1977. Operations were marked by continued improvement in underwriting experience and particularly strong gains in investment income. In this context, it should be noted that consumer finance and insurance operations are inextricably intertwined. Clearly, the Beneficial Finance System is the key marketing channel distributing our insurance products in a highly cost-effective manner. However, it must be emphasized that the Insurance Group is also doing an exceptional job in adding completely unrelated, profitable premium income to the Beneficial base of its business. Our Insurance Group is now the fastest growing major factor in the credit field.

Unfortunately, the Merchandising Division in no way mirrored the excellent results of our core financial businesses. Although we had anticipated some improvement in Merchandising Division results in 1978, earnings actually declined as profitability problems were particularly severe at Western Auto and Midland. Constructive steps continue at both of these subsidiaries, as well as at Spiegel, and we are cautiously optimistic that Merchandising performance will show some improvement in 1979, despite what may prove to be a less than robust retailing environment. While Merchandising contributes a small portion of our Net Income, it does represent a significant dilution of our return on investment, and we are making every effort to improve the performance of these companies.

We want to emphasize to our Shareholders that Beneficial's character is changing. We are concentrating more and more on what we do best—the marketing of financial services. During 1978 we took another major step in that direction by purchasing a 24.1% interest in First Texas Financial Corporation, the second largest savings and loan holding company in Texas, with assets in excess of $1.5 billion. Since First Texas stockholders already have approved the merger pursuant to which First Texas would become a subsidiary of Beneficial, completion of the transaction awaits only the approval of our application by the Federal regulatory authorities.

Finn M. W. Caspersen, Chairman of the Board, front, George R. Evans, right, and Robert A. Tucker, left, members of the Office of the President, direct Beneficial's aggressive expansion. The Company recently entered the Japanese market, opening its first loan office in Tokyo.

First Texas represents an important and very logical step in the broadening of our base as a financial organization.

We continue to expand our activities as a marketer of money. Unquestionably, consumer finance is the cornerstone of our operations. This is the business that has fueled our growth in the past and will continue to do so in the future. This is the business that provides the resources and the expertise to expand into related financial fields.

The opportunities for growth within the $275 billion consumer finance market are exciting. Aggressive marketing policies, emphasizing both proven and innovative ways to obtain new business, will be continued and expanded. Revolving loans, second mortgages, credit cards, and electronic funds transfer are among the many dynamic growth areas that we have entered.

As we expand our services, we are also moving into new geographical markets. In 1977 we began operations in Germany. In 1978 we entered the Japanese market. Beneficial now serves the people of six nations, located on four continents. We will aggressively pursue opportunities—in consumer finance and related financial areas—in other parts of the world.

1978 was a year of strong growth. Accordingly, the dividend per common share was increased for the third time since June, 1976. Over that span the dividend's annual rate has risen from $1.25 to $1.80 per share. Management's policy is to maintain a common dividend payout ratio of 35%-40% of sustainable earnings.

Despite the uncertain economic outlook for 1979, management anticipates good earnings improvement. Both Consumer Finance and the Insurance Group should show strong comparisons, and we look to the Merchandising Division to record modest improvement. Finally, assuming consummation of the merger, First Texas Financial Corporation will add a noticeable increment to consolidated results. 1979 will be another good year for Beneficial Corporation.

George R. Evans
Office of the President
Vice-Chairman of the Board

Finn M. W. Caspersen
Chairman of the Board

Robert A. Tucker
Office of the President
Chief Financial Officer

February 27, 1979

Consolidated Net Income was well ahead of 1977's performance. For the Finance Division, which has been growing steadily, net income in 1978 was the highest ever, 17.5% above the record established in 1977. Net income for the Merchandising Division, however, declined significantly from the disappointing level reported in 1977.

During the last half of 1978, Beneficial acquired a 24.1% interest in First Texas Financial Corporation, a savings and loan holding company. Considering Beneficial's equity in the net earnings of First Texas and certain purchase accounting adjustments, this investment contributed $2.5 million for the portion of the year the minority interest was held. The above figure does not reflect the net interest cost of acquiring the investment. Assuming a favorable conclusion of the acquisition, the contribution to Net Income is expected to be significant in 1979 and years to come.

Earnings Per Share

Earnings per Common Share are as follows:

	Earnings per Share		Average Number of Common Shares	
(shares in thousands)	1978	1977	1978	1977
Primary	$4.19	$3.64	22,102	21,808
Fully-diluted	4.11	3.56	22,710	22,686

Beginning in the third quarter, the quarterly dividend rate per common share was increased from $.40 to $.45. The annual amount per share paid in 1978 was thus increased to $1.70 and for 1979 the current annual dividend rate is $1.80. Including dividends on preferred stock, the Company paid a total of $42.9 million in dividends during 1978, representing 43.7% of Net Income. In December, Beneficial paid its 198th consecutive quarterly dividend on common shares.

Finance Division

For the Finance Division, 1978 was an excellent year. Consumer Finance reported increases of 5.3% in net income and 19.4% in Finance Receivables (after deducting Unearned Finance Charges). The Insurance Group had a truly outstanding year, increasing its net income by 36.9%.

(in millions)	1978	1977	% Increase
Revenue:			
Consumer Finance	$589.0	$503.9	16.9%
Insurance Group	180.4	136.5	32.2
Finance Division	$769.4	$640.4	20.1
Net Income:			
Consumer Finance	$50.2	$47.6	5.3
Insurance Group	41.3	30.2	36.9
Finance Division	$91.5	$77.8	17.5

As outlined in the Shareholders letter, costs and accruals related to the unprecedented growth in receivables temporarily dampened the earnings increase of Consumer Finance. The Insurance Group's sharp gain in net income reflects a significant increase in earned premium, improved underwriting ratios, and a substantial advance in investment income.

Merchandising Division

In 1978 the Merchandising Division reported less than satisfactory results, as indicated below:

(in millions)	1978	1977	% Increase (Decrease)
Net Sales and Other Revenue:			
Midland	$ 62.1	$ 110.4	(43.7)%
Spiegel	370.7	377.0	(1.7)
Western Auto	683.0	691.3	(1.2)
Merchandising Division	$1,115.8	$1,178.7	(5.3)
Net Income (Loss):			
Midland	$(4.6)	$(2.0)	(138.7)
Spiegel	6.0	6.4	(6.4)
Western Auto	3.0	3.4	(10.6)
Merchandising Division	$ 4.4	$ 7.8	(44.4)

Western Auto's problems again were related to unprofitability in its company-owned stores and unsatisfactory gross profit margins. Midland's poor performance was largely the result of continued softness in the market for citizens band (CB) radios.

Another contributing factor was the discontinuance of two of Midland's smaller divisions. Spiegel suffered from disappointing sales trends during the pre-Christmas season.

Financing The Company's Growth

To fund domestic growth in receivables, Beneficial sold, at favorable rates, two long-term public issues in the Spring. The first was for $200 million at 8.35%, to mature in 1998, and the second was for $150 million at 8.40%, to mature in 2008, subject to the right of the holder to elect earlier redemption. Private issues were negotiated for foreign subsidiaries in the amount of $42.1 million (expressed in U.S. Dollars) in various currencies and at various rates. During the year, long-term debt in the amount of $36.0 million matured and was paid.

In general, management's policy is to guard against both unrealized and realized foreign exchange losses of its expanding foreign operations by borrowing, when practical, in the currencies of the countries in which Beneficial's subsidiaries operate.

During 1978, short-term borrowing activity was conducted, in addition to the U.S., in Canada, Australia, England, and West Germany, while medium-term borrowings (included in long-term in financial statements) were arranged in Australia and West Germany.

In keeping with the Company's foreign exchange policy and in response to the high cost of medium- and long-term funds in England, the Company explored alternative means of financing and, as a result, negotiated a unique "swap" arrangement of U.S. $10.0 million for £5.162 million to be outstanding for ten years. The funds received are being used to increase finance receivables in England.

In 1978 the Corporation suffered a foreign exchange after-tax loss of $2.8 million compared to a $1.0 million loss in 1977.

Interest Expense (after offsetting interest income from non-consolidated subsidiaries) of the Finance Division increased $41.1 million (29.2%). Of this amount, 71.6% was due to an increase in average borrowings and 28.4% to an increase in average interest rates.

Continuing the trend of late 1977, short-term interest rates increased steadily during the year with the most dramatic impact occurring in the fourth quarter. Starting with the first quarter of 1978, the weighted average U.S. short-term interest rates for Beneficial, by quarter, were as follows: 7.3%, 7.5%, 8.6%, and 9.8%.

The following relates to all borrowed funds of the Finance Division (after deducting interest income from non-consolidated subsidiaries):

(amounts in thousands)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Interest Expense:					
1978	$41,251	$43,751	$46,330	$50,308	$181,640
1977	30,677	33,385	37,410	39,111	140,583
Increase in 1978.	$10,574	$10,366	$ 8,920	$11,197	$ 41,057
Increase Due to Increase in:					
Rates	23.6%	37.3%	30.9%	22.6%	28.4%
Borrowings ...	76.4	62.7	69.1	77.4	71.6
	100.0%	100.0%	100.0%	100.0%	100.0%

Weighted average interest rates on debt outstanding at year end, including foreign borrowings, were as follows:

	1978	1977
Notes Payable	10.70%	7.42%
Banks	10.48	7.59
Commercial Paper	10.33	7.43
Long-Term Debt	7.56	7.40

The 1978 average rate of annual interest expense, giving effect to bank compensating balances for the Finance Division, was 7.93% compared to 7.39% for 1977. Lines of credit in excess of $400 million are maintained by the Company and its finance subsidiaries.

Average short-term borrowings during the year were $93.3 million at banks and $161.4 million in commercial paper. The maximum amount of short-term notes payable at any month end was $478.9 million.

The entire debt of Beneficial Corporation and Consolidated Subsidiaries at the past two year ends was comprised as follows:

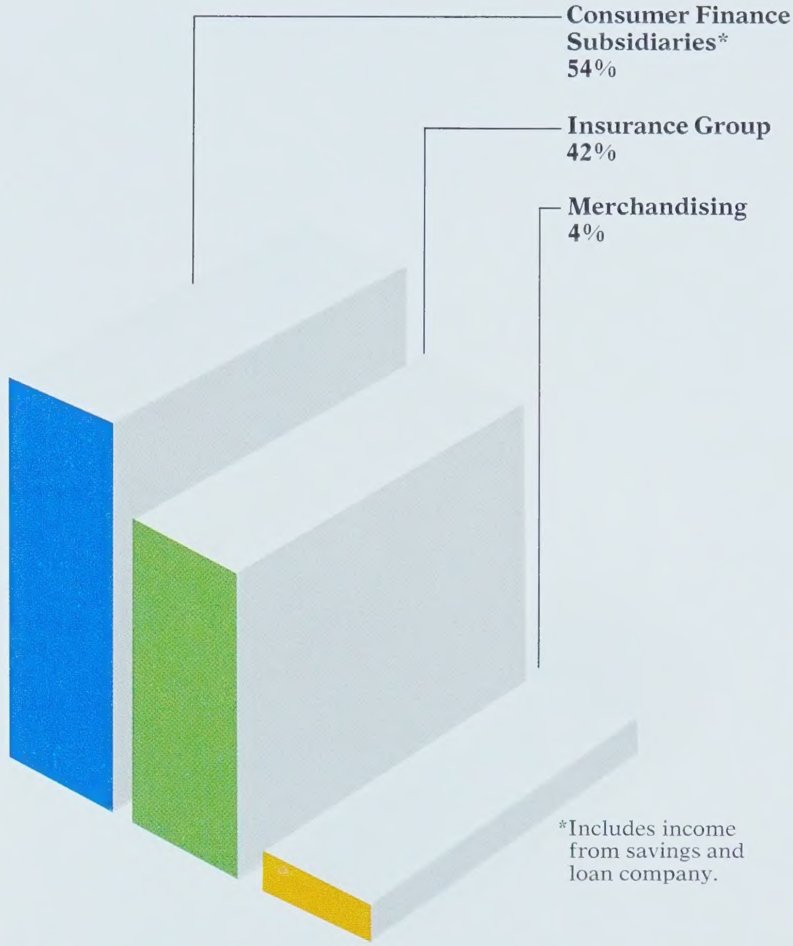
(amounts in millions)	1978 Amount	1978 % of Total	1977 Amount	1977 % of Total
Short-term Debt:				
Banks	$ 199.9	7.3%	$ 152.6	6.7%
Commercial Paper	279.0	10.2	222.7	9.8
Employee Thrift Accounts	41.1	1.5	38.6	1.7
Total	520.0	19.0	413.9	18.2
Long-term Debt:				
Due within One Year	195.6	7.2	35.9	1.6
Other	2,015.7	73.8	1,825.8	80.2
Total	2,211.3	81.0	1,861.7	81.8
Total Debt	$2,731.3	100.0%	$2,275.6	100.0%

Beneficial commercial paper, which is sold directly to institutional and other sophisticated investors, has been assigned the highest ratings of P-1 and A-1 by Moody's Investors Service, Inc. and Standard and Poor's Corporation respectively. Notes are sold in amounts of $100,000 or more, for terms of 15 to 270 days, at competitive market rates. The Company does not foresee any difficulty in selling short-term notes in the future.

The Company's debentures are rated Aa by Moody's Investors Service, Inc. and AA by Standard and Poor's Corporation.

CONTRIBUTION TO 1978 CONSOLIDATED NET INCOME

Consumer Finance and Insurance operations generated 96% of consolidated net income in 1978.

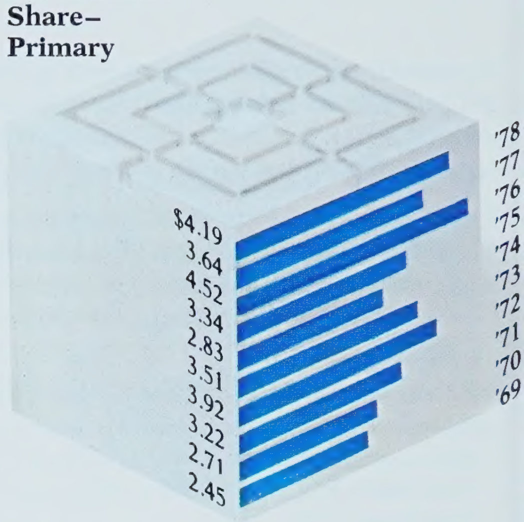


Selected Operating Measurements

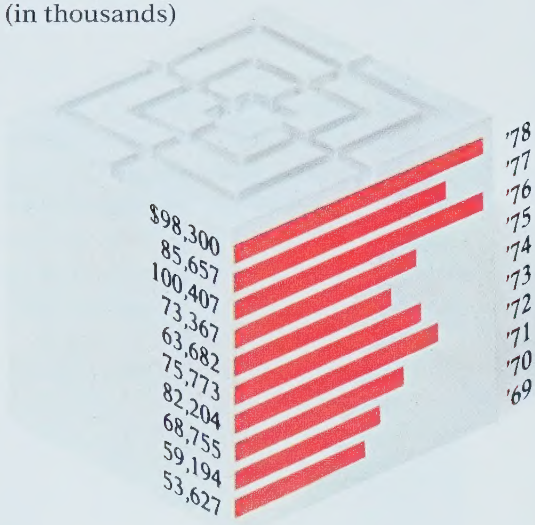
As indicated by the data presented in the charts on Pages 8 and 9, Beneficial has achieved a good record of corporate growth. Despite the fluctuations of Merchandising profits and a rising average cost of borrowed funds, consolidated net income has increased significantly. Accordingly, shareholders' equity has steadily grown, and now totals almost $0.9 billion. Receivable volume and growth have been exceptional, especially over the last few years. Expansion of Insurance operations has been extraordinary.

Selected Operating Measurements

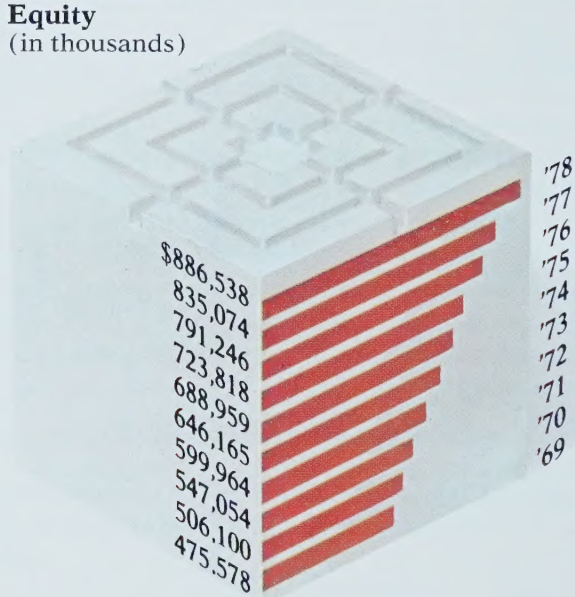
Earnings Per Common Share– Primary



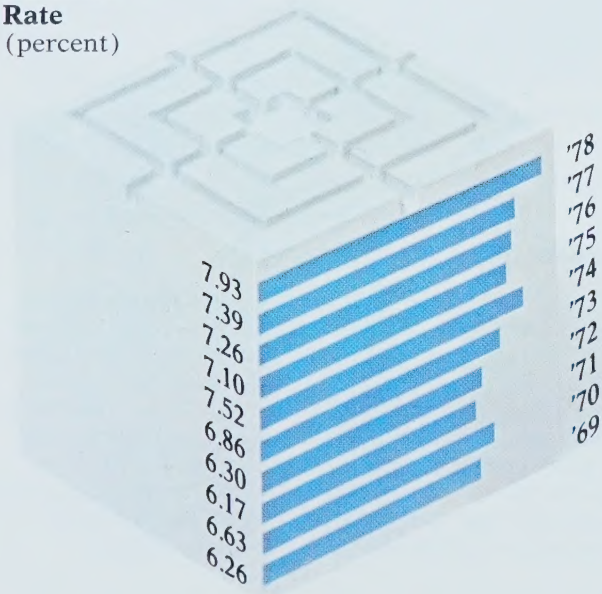
Consolidated Net Income excluding extraordinary credit (1974) (in thousands)



Shareholders' Equity (in thousands)

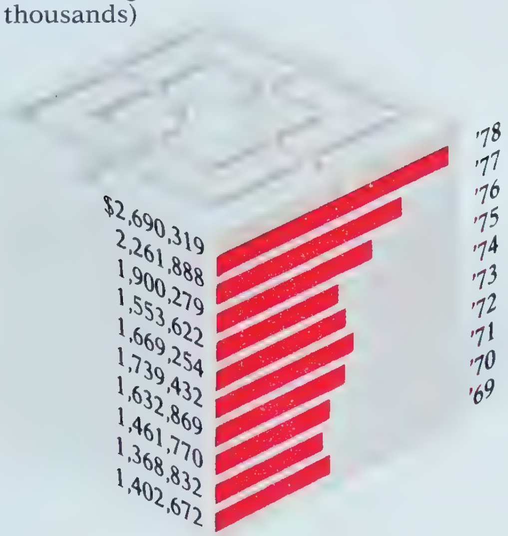


Interest Expense– Effective Rate (percent)



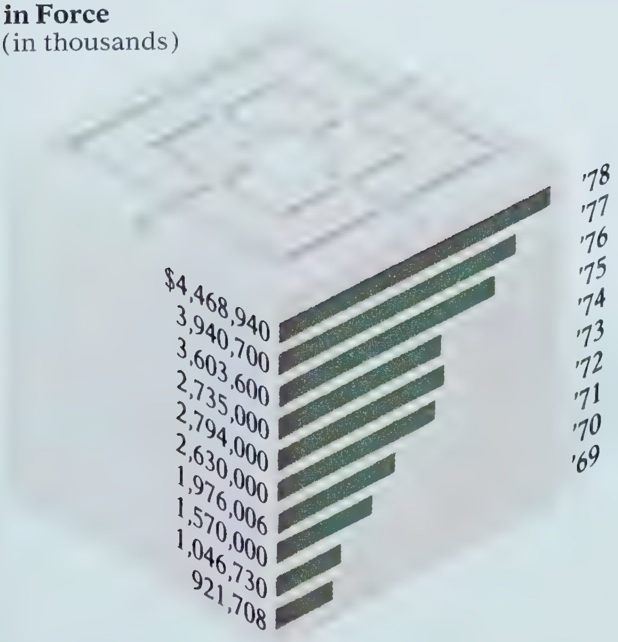
Balance of Principal of Finance Receivables
(in thousands)

Volume of Finance Receivables Acquired
(less Unearned Finance Charges)
(in thousands)



Security Investments– Insurance Group
(in thousands)

Life Insurance in Force
(in thousands)



Consumer Finance

Beneficial. The name is universally known. All over the United States and Canada—and in an increasing number of other countries as well—Beneficial is a part of daily life. In nearly 1600 cities and towns, the Beneficial Office is as familiar a landmark as the town hall and the corner drug store, and today, Beneficial's Finance Division is the fastest-growing—and the most profitable—in the consumer finance industry.

1978 was the third consecutive year in which the Consumer Finance subsidiaries set new records in virtually every area. As always, Consumer Finance was the largest single contributor to the Company's profits, accounting for 51.0% of Net Income.

1978 Consumer Finance Highlights

Revenue: $589.0 million, 16.9% over 1977.

Net Income: $50.2 million, 5.3% over 1977.

Total Receivables (less Unearned Finance Charges) at Year End: $3.0 billion, 19.4% over 1977.

Total Number of Accounts at Year End: 3.0 million, 21.4% over 1977.

Number of Loans Made: 1.7 million, 12.4% over 1977.

Amount of Loans Made: $2,328.9 million, 17.3% over 1977.

Number of Sales Finance Contracts Purchased: 0.8 million, 24.8% over 1977.

Number of Offices: 1,939, 2.6% over 1977.

At year end, Finance Receivables had increased by a record $489.3 million (19.4%) to an all-time high of $3.0 billion. This gain, the largest in the industry, was principally the result of markedly increased loan volume in existing offices.

Factors contributing to growth in 1978 were: an increase of 49 consumer finance offices; emphasis on high quality second mortgages; continued gains in the small, personal loan category; the further development of revolving loan business, which is now available in 18 states; and continued significant growth in credit card receivables. The outstanding 1978 results also benefited from an increased emphasis on the improvement of loan activity in traditionally weak periods of the year and from greater penetration of the middle income market.

Installment Loans The number of loans increased dramatically during the year, particularly loans to new borrowers. The average loan increased in size from $1,348 in 1977 to $1,407 in 1978, and the average term from 45.3 to 48.2 months. Installment loans were provided by more than 1,900 offices in six countries.

Second Mortgages Second mortgage loans showed outstanding gains in 1978, the fourth quarter being particularly strong. There were sharp increases in both the number and amount of these loans. Second mortgage loans secured by homes averaged $10,427 in 1978 and comprised 17.7% of total loan business.

Through its subsidiary, Peoples Bank & Trust Company, Beneficial issues Visa and Master Charge cards.

Beneficial also issues its own credit cards under its "Bencharge" credit card program.

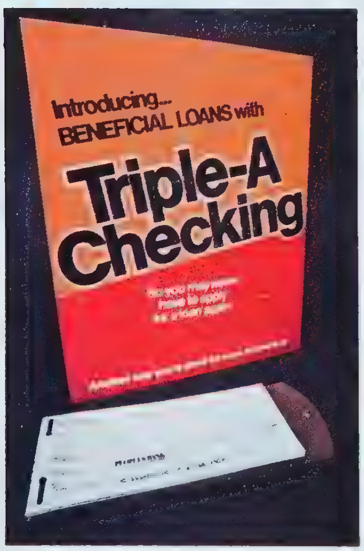
Leonard Moore, Consumer Finance Manager, serves Beneficial in Brooklyn, New York.

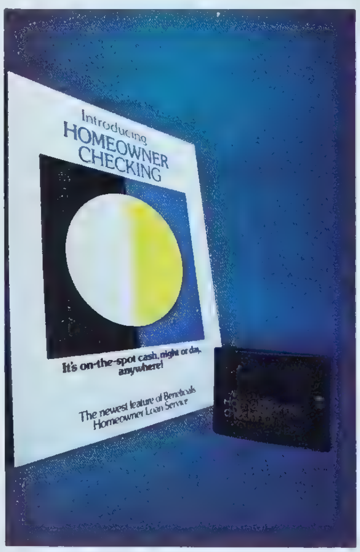
"Brooklyn is a long way from Harvard . . . and it's even farther when you don't have enough money to pay the tuition. In our neighborhood, there is a brilliant young man whose Harvard Law School education is being financed by loans from our office. We're proud of what he's doing with his life . . . and proud of what we're doing to help."

Revolving Loan Programs The growth of these programs, which provide the consumer with checks that can be used against an available line of credit, has been most encouraging. Revolving loan programs are now being conducted in 18 states, and net receivables at the close of 1978 were $48.8 million.

Consumer Sales Finance Contracts New marketing techniques—including an increase from 5 to 20 in centrally operated offices to purchase sales contracts—have helped to increase business in this field. At the close of 1978, Sales Finance Contracts totaled $256.5 million, a gain of 35.1% over 1977 and comprised 8.5% of Finance Receivables. The Bencharge revolving credit system for department and chain stores and other local merchants has been extended to a number of additional test areas. Bencharge, which issues either its own or private label credit cards and uses on-line store terminals connected to the Bencom data processing facility, will add new strength to Sales Finance during 1979.

Geographical Spread of Receivables There are more than 1,900 Beneficial Consumer Finance offices located throughout the United States and Canada and in Australia, the United Kingdom, Puerto Rico, West Germany, and Japan. This wide geographical distribution tends to minimize the effects of local economic pressures as well as providing opportunities for extensive overall growth. Finance Receivables (after deducting Unearned Finance Charges) are concentrated most heavily in the following areas: California, 19.2%; New York, 8.3%; Canada, 7.4%; Pennsylvania, 5.6%; and New Jersey, 4.3%.





Pre-approved, revolving loan programs whereby the customer essentially "writes his own loan" are an increasingly important source of receivable growth.

Bencom Since 1974, both loan and sales finance operations have benefited from the increased administrative efficiencies provided by the centralized, on-line Bencom computer network. This system handles routine loan office paperwork and record keeping, provides cash management and certain supervisory services, and serves as a communications system for all Beneficial offices in the United States and Canada and for a number of other finance companies. The system has the capability of functioning in an electronic funds transfer environment.

Foreign Operations Foreign Consumer Finance subsidiaries accounted for 15.2% of net receivables at the close of the year. In Australia—where there are 86 offices—net receivables increased by $22.1 million. Canada's 180 offices showed a decrease of $8.9 million. West Germany, with 6 offices, increased its receivables by $28.5 million. The 42 offices in the United Kingdom generated an increase in receivables of $10.8 million. During the year, Beneficial broadened its financial services in the United Kingdom through the acquisition of Security Trust Company Limited, a company operating in the banking field. This acquisition significantly strengthens Beneficial's presence in the United Kingdom. During 1978 Beneficial entered the Japanese market, opening its first office in that country during the latter part of the year. Japan—a heavily urbanized and highly prosperous nation—is a promising market for consumer finance, and Beneficial expects to expand its operations there in 1979 and years to come.

Training Program One of the many advantages of working for a large and expanding organization is ample opportunity for promotion. The Consumer Finance training program selects the most promising employees and trains them for increased responsibilities. Individual ability, initiative, and hard work are recognized and speedily rewarded.

Highly qualified employees can advance rapidly throughout the Beneficial System, and our personalized policy continues to provide the Consumer Finance subsidiaries with highly qualified men and women to fill managerial and executive positions at every level.

Leasing Parliament Leasing Company, which started in 1977, leases medical, dental and hospital equipment. Parliament had gross receivables of $23.9 million at year-end 1978, an increase of $17.0 million over the previous year. This subsidiary now has offices in 4 cities.

Income Tax Service Beneficial Income Tax Service, which operates in the consumer finance offices in 44 states and Canada, showed improved results in 1978. This subsidiary has strengthened its internal structure and expects to again increase its share of the market during the 1979 "income tax season."

A Record-Breaking Year For the Consumer Finance organization, 1978 was a record-growth year. Additions to the account base and receivable gains substantially exceeded forecasts.

Significantly, 1978 was the third consecutive year of exceptional growth. Since October 1976 receivables have increased more than $1 billion, a record unparalleled in the consumer finance industry. These achievements are a credit to the talents and the dedication of employees at every level. This is very much a team effort, and every one of the more than 10,000 people in Consumer Finance plays an important part.

The prospects for 1979 are encouraging. The Consumer Finance subsidiaries expect to maintain their momentum and enhance their position of leadership in the industry. Moreover, the recent gains are anticipated to be reflected in significantly improved bottom-line earnings. In the field of consumer financial services, the cornerstone of its business, Beneficial is very definitely a company on the move.

(amounts in thousands)

At Year End	Finance Receivables Less Unearned Finance Charges: Total	Dollar-Cost Basis*: %	Dollar-Cost Basis*: Amount	Unearned Finance Charges: Relating Thereto	Unearned Finance Charges: As % of Related Finance Receivables
1978	$3,015,437	67.65%	$2,039,893	$571,211	28.00%
1977	2,526,177	71.39	1,803,352	520,490	28.86
1976	2,085,042	72.14	1,504,200	449,778	29.90
1975	1,828,456	73.01	1,334,899	388,500	29.10
1974	1,781,500	75.83	1,350,903	380,437	28.16

*An obligation the face amount of which includes Unearned Finance Charges.

Unearned Finance Charges This item represents the deferred income that is transferred to Revenue as collections are received on accounts containing Unearned Finance Charges.

Unearned Finance Charges are taken into Revenue by Beneficial as earned and collected under the Rule of 78ths.

The decline in the 1978 percentage for Unearned Finance Charges results primarily from a change in the mix of dollar-cost receivables. Small loans and sales finance contracts, which have a lower unearned percentage, increased at a greater rate. Additionally, dollar-cost receivables acquired in 1978 had a lower unearned percentage due to their shorter-contract term.

Data for the five years ended December 31, 1978 follows:

(amounts in thousands)

Year	Provision for Possible Credit Losses (a	Gross Amount of Receivables Charged Off	Finance Receivables Charged Off (a		Reserve for Possible Credit Losses at End of Year		Receivables More Than Two Months Delinquent (c,d)
			Amount	% of Average Gross Finance Receivables	Amount	% of Finance Receivables at End of Year (b	
1978	$70,845	$58,998	$51,062	1.57%	$147,836	5.00%	1.15%
1977	65,706	55,780	48,542	1.74	126,309	5.00	1.08
1976	60,419	54,757	48,356	2.04	106,337	5.10	1.19
1975	54,755	57,230	51,764	2.42	95,054	5.20	1.29
1974	51,123	49,987	44,896	2.12	92,638	5.20	1.28

a) After offsetting recoveries.

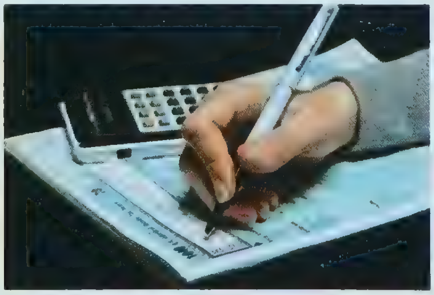
b) After deducting Unearned Finance Charges (excluding bank credit card and leasing receivables).

c) These percentages apply to loans only. At December 31.

d) Excluding loan receivables of West German bank.

Delinquencies and Uncollectible Accounts Beneficial's credit scoring system has played a major role in maintaining credit risks at quite acceptable levels during a period that has seen record increases in business. The percentage of loans more than two months delinquent increased only slightly from 1.08% in 1977 to 1.15% in 1978. Reflecting this excellent delinquency control, cash principal collections totaled $1,423.3 million in 1978, a 20.1% increase over 1977. Uncollectible accounts charged off, net of recoveries, continued to show good improvement, and declined to 1.57% of gross receivables, compared to 1.74% in 1977. This is the lowest net chargeoff percentage the Company has experienced since 1972.

Reserve for Possible Credit Losses As mentioned in the previous section, Beneficial's delinquency (loan account balances with payments more than two months past due), as a percent of Loan Receivables, remains at a very satisfactory level. The Reserve percentage is perhaps the most conservative in the industry. As illustrated in the table above, the Reserve for Credit Losses at December 31 was 2.9 times actual 1978 net chargeoffs.



More and more consumers are using the Beneficial Income Tax Service for preparation of their tax returns.

Along with fulfilling Beneficial's own data processing and communications needs, the Bencom on-line data processing system is marketed to other finance companies on a fee basis.

Harry E. Evans, Consumer Finance Manager, is Beneficial's representative in Lorain, Ohio.

"Second mortgages—for home improvement and other purposes—are a fairly new thing for Beneficial. But this one is part of something old. I've just made a loan to a young man whose grandfather and father were also customers of ours. Three generations of service to the consumer . . . that's something to be proud of."

BENICO

The Central National Life Insurance Company of Omaha
Beneficial International Insurance Company Limited
American Centennial Insurance Company
Guaranty Life Insurance Company of America
Consolidated Marine & General Insurance Company Limited
Beneficial American Insurance Company Limited
Northwestern Security Life Insurance Company *(acquired January 1979)*

The Beneficial Insurance Companies (BENICO), frequently referred to as the Insurance Group, enjoyed another highly successful year in 1978. Net income reached $41.3 million, a 36.9% gain over 1977, and represented the seventh consecutive year of record earnings for the Group. Over that period, net income has increased at a 39.7% compound annual rate.

Total assets of the Group climbed to $497.0 million at December 31, 1978, a 33.5% increase over the prior year end. Written premiums exceeded $170.2 million, a 3.8% gain. At the same time, Shareholder's Equity expanded 30.9% to $174.8 million, so that the ratio of 1978 premiums written to year-end net worth was an extremely conservative .98 to 1.

The Beneficial Insurance Group provides a broad range of credit insurance coverages.

The Beneficial Insurance Group is a complex of both life and casualty insurers which underwrite, both directly and as reinsurers, a wide variety of life, accident and health, and property and liability coverages. The primary thrust of the Group, however, remains in the highly specialized credit insurance market, where the companies rank among the industry leaders.

Credit life, credit accident and health, and credit property coverages are all aggressively marketed. Clearly, the backbone of the Group's market position is represented by credit coverages written through the Beneficial Finance System. Beneficial loan-related premium represented 49.3% of total premiums written in 1978, and a greater percentage of the Group's net income.

It deserves noting that eight years ago, virtually all premiums and earnings were generated from insurance written through the Beneficial Finance System. While the Beneficial loan-related business has increased significantly in recent years, the reduction of Beneficial business as a percentage of the total is indicative of the excellent increases in premiums from non-affiliated sources. The following table illustrates the rapid growth in the individual categories of Beneficial-related credit insurance, and the even faster growth of non-affiliated business.

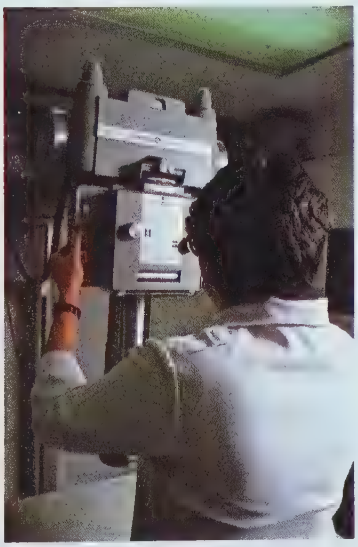
Earned Premiums (in millions)

	Beneficial Finance Credit Life	Beneficial Finance Credit A&H	Beneficial Finance Credit Property	All Non-Beneficial Finance	Total
1978	$29.4	$22.4	$19.8	$77.4	$149.0
1977	24.7	20.0	17.0	52.6	114.3
1976	22.2	16.7	14.7	36.7	90.3
1975	18.9	15.6	11.6	23.4	69.5
1974	18.8	12.4	9.5	18.0	58.7
1973	17.0	15.4	2.6	9.7	44.7
1972	15.8	14.1	.8	7.3	38.0
1971	13.3	9.5	—	2.2	25.0
1970	10.8	4.7	—	2.6	18.1
1969	10.1	3.9	—	—	14.0
1968	10.4	1.2	—	—	11.6

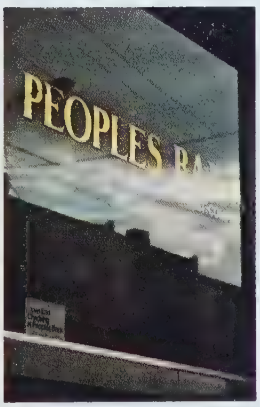
The increasing percentage of business generated outside the Beneficial Finance System is the result of a management philosophy aimed at creating an insurance complex with a broader scope than merely serving as an adjunct to the loan business. Accordingly, with profitability as a constant, rigorous screening requirement, outside business has been aggressively pursued.

As might be expected, special emphasis has been directed towards the credit insurance market, the area of our greatest strength and expertise. The combination of both excellent profitability and high predictability that is attached to the credit insurance business—when properly managed—makes it an extremely attractive area for development, both in Beneficial-related coverages and externally. Banks, other finance companies, retailers—virtually the entire spectrum of consumer lenders—represent a huge potential market for the Group's credit insurance products. 1978 saw the establishment of many profitable relationships with other consumer lenders, and active efforts in this market continue.

In addition, the Group's particularly strong capital position enables it to be an active but highly selective participant in reinsurance markets, assuming profitable blocks of ordinary life business as well as traditional property and liability reinsurance risks. The mix of reinsurance risks assumed is carefully controlled by the Group's staff of experienced underwriters. The property and liability coverages consist predominantly of commercial third-party liability and property coverages. Rarely does the Group exceed a $50,000 exposure on any one reinsurance risk, and generally, coverages are written at very high excess layers (very substantial losses would have to be incurred by the primary insurers before the Group's coverage takes effect).



Parliament Leasing specializes in the leasing of medical and dental equipment.



Peoples Bank & Trust Company of Wilmington, Delaware is a wholly-owned subsidiary of Beneficial Corporation.

A highly conservative course is maintained in investment holdings. The investment portfolio, which totaled $410.3 million at December 31, 1978, is comprised predominantly of municipal and corporate bonds. The proportionate distribution of investments at December 31 was as follows:

	1978	1977
U.S. Government Bonds	0.4%	1.2%
Municipal Bonds	52.7	51.9
Foreign Government and Agency Obligations	6.3	3.2
Corporate Bonds	20.7	24.7
Preferred Stocks	8.0	9.0
Common Stocks	4.4	5.6
Policy Loans	1.3	1.5
Mortgages	0.9	1.4
Short-Term Holdings*	5.3	1.5
	100.0%	100.0%

*Chiefly commercial paper.

Because of tax advantages for both our casualty and life companies, direct investments during 1978 were made chiefly in municipal bonds. Corporate Eurodollar bonds are purchased by Beneficial International, our Bermuda-based company. The domestic companies made substantial commitments in preferred stocks and, on a selective basis, in common stocks as well.

Given the fixed-income orientation of the investment portfolio, the trend to higher interest rates in 1978 was favorable for investment income, which has also been benefiting significantly from the Group's very strong cash flow in recent years. Net investment income, before capital gains and losses, reached $23.5 million for the year, a 38.9% gain over the total of $16.9 million recorded in 1977. Realized capital gains (net of applicable taxes) were $0.3 million compared to $1.2 million in 1977.

Indicative of the steady progression in investment earnings, net investment income was $6.6 million in the fourth quarter of 1978 versus $5.0 million in the fourth quarter of 1977.

Acquisition opportunities continue to be pursued, with efforts focusing on credit insurance and ordinary life companies. In January 1979, the Group acquired Northwestern Security Life Insurance Company from Northwestern Financial Corporation, a bank holding company based in Wilkesboro, North Carolina. Northwestern Security, chiefly a credit life and health insurer but also with a modest amount of ordinary life business, has assets of $26.4 million and 1978 written premiums of $14.5 million. Northwestern Security Life earned $1.9 million on a GAAP basis in 1978 and was acquired for cash of $12.8 million. The newly-acquired company has a strong presence in the marketing of credit insurance through banks and automobile dealers in North Carolina, South Carolina, and Virginia. Aided by the added strength of the BENICO Insurance Group, Northwestern Security is expected to significantly expand its penetration in the Southeast, which is a very desirable market.

The national telecast of "SIMPLE GIFTS: Six Episodes for Christmas" was made possible by a grant from the Beneficial Finance System in cooperation with the Corporation for Public Broadcasting, WNET/Thirteen, and other public television stations.

Acquisition activity among life insurance companies increased dramatically during 1978, with the prices paid in many cases reaching what appeared to be extremely high levels. However, BENICO applies rigorous tests in evaluating potential acquisition candidates, looking always for profitable companies that will make a good "fit" with our existing operations. Since dilution of the Group's earnings stream will not be tolerated, price is a particularly important consideration in the analytical process. Accordingly, despite the investigation of many companies during 1978, Northwestern Security was the only one selected to join the BENICO family. Nevertheless, our acquisition activities continue unabated, with the hope and expectation that price and value will come into greater congruence in the acquisition marketplace, particularly for the diligent, patient seeker.

In June, Beneficial American Insurance Company Limited was incorporated in Hamilton, Bermuda. This company was formed to accept in Bermuda both American and international reinsurance business. Prior to the formation of this company our existing Bermuda subsidiary was prohibited from accepting any U.S. risks. Thus, Beneficial American provides a vehicle to take on attractive reinsurance business from the United States market.

In November, Consolidated Marine & General Insurance Company Limited received operating authorization from the United Kingdom Department of Trade and Industry and is already marketing credit-related property insurance, as well as accepting reinsurance from Lloyds and other British insurance syndicates.

Beneficial Corporation's insurance operations enter 1979 with all the financial ingredients necessary for continued success—ample capital resources, highly profitable underwriting, and a steadily expanding flow of investment income. However, ranking equally with these factors are the abilities of the experienced management team. Perhaps the only

John H. Suminski, Vice President and General Counsel, Beneficial Insurance Group, is headquartered in Morristown, N.J.

"The July, 1977 Johnstown, Pennsylvania flood was one of the worst disasters of the past decade. Just as the waters began to recede, we began to pay benefits to Beneficial policyholders to help them and the community start over. Few insurance companies did as much as we did for the people of Johnstown."

cloud on the horizon is the ever-increasing burden of regulation. While management has attempted to maintain an atmosphere of cooperation with regulators, that approach has not been reciprocated in some states. Rather, in these cases, the confrontational spirit of an adversary relationship is fostered at every opportunity. But regulation has long been a burden for credit insurance companies, and management is experienced in working through the regulatory maze. Moreover, most regulators do not lose sight of the common goal of both themselves and all of the reputable companies in the field: namely, to provide consumers with this desired and needed coverage at a fair price. Accordingly, while we are not without concern, we are optimistic that regulation will not unduly hamper the development of this inherently dynamic, growing business. The outlook for the Beneficial Insurance Group in 1979 and the years beyond appears excellent.

More detailed financial information and descriptive data on insurance operations are contained in the Insurance Group financial statements of this report and in the separate report issued by the Insurance Group. Copies of the separate report will soon be available to all interested parties upon request to Mr. Kenneth J. Kircher, Vice President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, DE 19899.

Every member of the family finds products they want in the Spiegel catalog.

The Merchandising Division consists of Spiegel, Inc., Western Auto Supply Company, and Midland International Corporation. Combined net income for the Division declined in 1978 to $4.4 million from $7.8 million in 1977. This decrease was recorded notwithstanding the fact that 1977 results were impacted by $12.1 million in special pretax charges relating primarily to extraordinary retail store closings at Western Auto and the closing of all the Spiegel catalog order stores. Profitability problems continue particularly severe at Western Auto and Midland.

Following is a brief summary of the activities during 1978 of each of these merchandising subsidiaries.

Spiegel, Inc.

Spiegel, America's department store in print, features national brands, with major emphasis on fashion apparel, home furnishings, and accessories. Spiegel ranks fourth among all the catalog merchandisers in the United States in terms of sales volume.

Spiegel's Net Sales and Other Revenue declined 1.7% in 1978, while net income fell to $6.0 million from $6.4 million in 1977, despite the fact that 1977 results included a special $2.5 million pretax provision for the closing of all the Spiegel catalog order stores. Spiegel's profits were up through the nine months; however, the highly-important fourth-quarter earnings fell to $3.2 million from $4.9 million in 1977. Spiegel, which is primarily a soft-goods retailer, suffered from unseasonably mild weather early in the key Christmas selling season. In reaction to this sales softness, Spiegel adopted an

Household textiles represent a significant portion of Spiegel's sales.

Joy Orchard, Assistant Vice President, Beneficial International Insurance Company, is assigned to Bermuda.

"Here in Bermuda, we insure a great number of risks in the property and casualty field, including ships' cargo. As an executive for such a rapidly expanding international reinsurance company, I feel that we are providing highly beneficial services for both the company and people all over the world."

overly cautious posture on inventory. Thus, the company could not fully capitalize on the strengthening of sales trends that occurred very late in the Christmas selling season.

Also, it should be noted that Spiegel's sales comparisons throughout the year were significantly hampered by the closing of the catalog order stores, which contributed 25.0% of total sales volume in 1977. While this move to conduct all business by mail and telephone will ultimately benefit profitability, it obviously has had an initial drag effect on sales comparisons.

Despite the foregoing, Spiegel made considerable progress in its ongoing campaign to upgrade the company's image and develop a new customer base. Higher quality, more fashionable merchandise, and prestigious brand names have been introduced into the catalog. At the same time, the catalogs themselves have been redesigned to reflect this new image with bolder layouts and dramatic photographs taken on location. The circulation patterns of catalog distribution have been refined, and special promotional mailings have been sent to a carefully selected list of customers.

Credit sales for 1978 were $197.8 million, as compared to $194.7 million for 1977. Further progress was made in Spiegel's campaign to improve the demographics of its customer list and to change the buying medium from cash to Spiegel charge accounts and national credit cards. Credit card sales increased by 21.5%. This strategy lends itself to telephone sales, which are far more convenient than mail orders for most customers, and it greatly increases both the frequency of ordering and the size of the average order. Special promotions encouraged existing customers with good payment records to take fuller advantage of Spiegel's credit plans.

At year end there were 1.3 million active customer accounts, with an average balance of $255, compared to 1.3 million and $251 in 1977. Customer accounts receivable at the end of 1978 were $334.6 million, a decrease of 0.9% during the year. Accounts receivable charged off in 1978 totaled $15.9 million, a decrease of 8.1% from the previous year. This further improvement is the result of a further refinement of selective procedures in the granting of credit and of the continued improvement in collection efforts.

Spiegel's new merchandising and marketing programs are now well in place, and 1978 sales of the new, upgraded merchandise lines were encouraging. Spiegel has made considerable progress over the last few years, and management is optimistic about future prospects.

Another encouraging development for Spiegel in 1978 was the establishing, entirely on its own, of $106 million in lines of credit with major banks. As a result, Beneficial's corporate advances to Spiegel have been substantially reduced, with the majority of the advances now to Fairfax Family Fund, Spiegel's consumer finance subsidiary. Fairfax, which makes unsecured personal loans by mail, enjoyed an excellent year. Receivables outstanding advanced 31.8% to $83.7 million at December 31.

Western Auto Supply Company

Like Spiegel, Western Auto is also a well-known name in American retailing. This nationwide chain conducts its operations by means of a dual distribution system, selling merchandise at retail through its 459 company-owned stores and wholesale through 3,595 independently operated associate stores.

Western Auto's Western Flyer bicycle continues to be one of its most successful products for young America.

George Nickel, Regional Public Relations Director, represents Beneficial in California.

"Back in the '30's, I lobbied for the passage of consumer-oriented small loan legislation in California, Nevada and Hawaii. I also helped to develop the National Family Service Organization and the National Foundation for Consumer Credit. We encouraged Beneficial managers to work with these groups, which help people to make rational decisions about their personal finances."

In 1978, Western Auto's net income, excluding Eva Gabor International, Ltd., a subsidiary, was \$2.8 million, compared with \$3.2 million in 1977. 1977 results were after \$9.6 million in special pretax charges taken to accrue the expense of closing 70 retail stores and the discontinuance of selected merchandise lines. Excluding Eva Gabor, Net Sales and Other Revenue was \$676.0 million, compared to \$682.8 million in 1977, a decrease of 1.0%.

As a result of extensive market research, Western Auto is studying its marketing approach for its company-owned stores with a view toward emphasizing automotive service, accessories and parts, lawn care products, and recreational items. At the same time, the retail stores have significantly reduced prices in an attempt to become more competitive. The resulting give-up in gross margin without offsetting sales increases continues to exert a substantial negative effect on profitability.

Net Sales and Other Revenue from company-owned stores was \$224.3 million in 1978, a decrease of 6.0% from the previous year. During 1978, five company-owned stores were opened in new locations, and 18 unprofitable stores were closed, resulting in a reduction of 13 stores.

The products and services provided to associate stores, which are located primarily in non-urban areas, continue to improve. Additional aids are being developed to assist associate store owners increase their inventory turnover and improve profitability. Net Sales and Other Revenue derived from sales to associate stores was \$451.7 million, a gain of 1.9% over 1977. The number of associate stores decreased from 3,918 to 3,595 primarily because Western Auto is tightening its criteria for associate stores. However, this phase of the company's operations remains basically healthy and continues to be the backbone of Western Auto.

Eva Gabor International, Ltd., 82.5%-owned by Western Auto, achieved sales of \$7.0 million, compared with \$9.3 million in 1977, and earnings of \$165,000, compared with \$190,000 in 1977. Eva Gabor International is engaged in the importation of women's and men's wigs and hairpieces from the Far East.

Midland International Corporation

Midland is an international importing and marketing organization, featuring citizens band (CB) radios, automotive sound products, and television sets. Products are imported chiefly from the Far East.

Midland's total sales were \$73.0 million in 1978 compared with \$121.5 million in 1977. Profitability suffered from the significant decline in sales, and a net loss of \$4.6 million was recorded in 1978 compared to a loss of \$2.0 million in 1977.

CB is the focus of Midland's business, and the subsidiary's poor showing is the result of the continued decline in the CB market that began in late 1976. Margins were also impacted by pronounced foreign exchange rate fluctuations. Sales and earnings were affected by the closing of the two divisions selling sporting goods and automotive tools and accessories. The closings will allow Midland to concentrate its activities in the electronics field. Significant personnel and facility reductions have accordingly taken place.

Automotive products sold under Western Auto's own trademark are a source of significant sales strength.

Roger J. Keane is President of First Texas Financial Corporation, Dallas —Beneficial's planned major acquisition.

He has had a distinguished career in finance. His organization is the second largest savings and loan company in the state, providing home mortgages to thousands of families. This important acquisition will serve to broaden Beneficial's spectrum of consumer financial services.

Midland's experience is typical of the CB industry as a whole. The market is suffering from reduced demand and continued price depression. In the opinion of Midland's management, the CB market has probably reached the bottom of its downward curve. Midland continues its dominant position in the industry and could benefit substantially from any increase in demand and concomitant rise in prices.

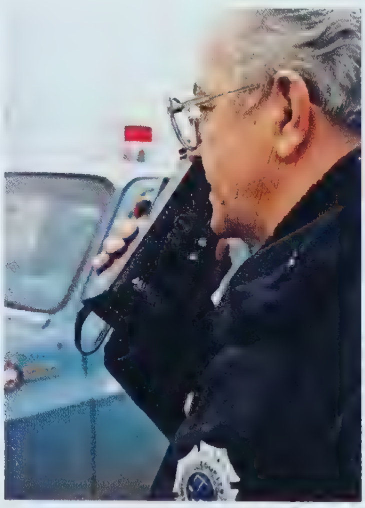
First Texas Financial Corporation

During 1978 Beneficial acquired a 24.1% interest in First Texas Financial Corporation. First Texas shareholders have approved the merger pursuant to which First Texas would become a subsidiary of Beneficial. The acquisition now awaits the approval of Federal regulatory authorities. Such approval is anticipated shortly.

First Texas operates a statewide network of 57 savings and loan branch offices in 25 cities. First Texas was founded in 1946 and over the years—through internal expansion, mergers, and acquisitions—it has grown into a major financial institution. With over $1.5 billion in assets and 229,000 depositors, First Texas is the second largest savings and loan organization in the state.

Although First Texas encountered earnings problems over the 1974-76 period because of difficulties with real estate development projects entered into on an equity basis, profits have recovered dramatically since 1976 as the equity real estate exposures have been substantially reduced. 1978 net income for First Texas totaled $10.8 million, a 32.7% gain over 1977.

Midland International is a leader in personal communications products.



Texas is one of the most dynamic markets in the nation. Located in the very heart of the Sunbelt, the state's economy has expanded at a record pace. Economic activity is stimulated by a moderate climate, bountiful natural resources, a fiscally sound state government and—perhaps most important of all—by an energetic and rapidly growing population.

The home office of First Texas and a number of its branches are located in the Dallas/Fort Worth metroplex, the state's largest urban area, with a population of over 2.6 million. Over the years, Dallas/Fort Worth has grown at a faster rate than the state as a whole.

First Texas represents an important and very logical step in the broadening of Beneficial's base as a financial organization. Clearly, it adds the ability to write first mortgages profitably. Moreover, the potential for marketing insurance products and other related financial services through First Texas is extremely attractive.

First Texas Financial Corporation will significantly broaden and enhance Beneficial's range of financial services.

First Texas Financial Corporation and Subsidiaries
Condensed Statement of Condition

(in millions) December 31	1978	1977
Assets		
Cash and Certificates of Deposit	$ 48.6	$ 44.5
Investments-Securities and Real Estate	73.4	71.3
Loans Receivable—Net	1,349.7	1,190.4
Foreclosed Real Estate	10.4	13.6
Stock in FHLB of Little Rock	13.9	11.6
Property and Equipment	17.7	18.2
Other	15.2	16.5
Total	$1,528.9	$1,366.1
Liabilities and Stockholders' Equity		
Savings Accounts	$1,248.2	$1,155.6
Advances from FHLB of Little Rock	165.1	106.8
Notes Payable	16.8	19.1
Other	25.5	21.7
Total Liabilities	1,455.6	1,303.2
Stockholders' Equity	73.3	62.9
Total	$1,528.9	$1,366.1

Condensed Statement of Earnings

Revenue	$133.1	$115.9
Expenses:		
Operating	21.2	19.9
Provision for Losses	2.8	1.7
Interest	92.7	83.0
Total Expenses	116.7	104.6
Earnings before Federal Income Taxes	16.4	11.3
Federal Income Taxes	5.6	3.1
Net Earnings	$ 10.8	$ 8.2

Quackenbush and Veasey Elected to Board of Directors

On February 22, 1979 R. Donald Quackenbush and E. Norman Veasey were elected to the Board of Directors of Beneficial Corporation.

Mr. Quackenbush is Executive Vice President-Insurance and a member of the Executive Committee of Beneficial Management Corporation. He is also Chairman of the Board, Benico Insurance Group subsidiaries.

As to his non-Beneficial activities, Mr. Quackenbush is a member of the board of directors of Fidelity Union Trust Company, Newark, N.J. and Fidelity Union Trust Company N.A., Morristown, N.J. He is also a member of the board of directors and former president and chairman of the board of the Consumer Credit Insurance Association. He is a past member of the board of directors of the U.S. Junior Chamber of Commerce and past president of the New Jersey Jaycees.

Mr. Veasey, an attorney, is a member of the Wilmington, Delaware law firm, Richards, Layton & Finger. He has served as chairman of the Delaware Board of Bar Examiners since 1971 and as chairman of the Advisory Committee on Delaware Supreme Court Rules since 1974. He served as chairman, Corporation Law Committee on the Delaware State Bar Association from 1970 to 1974. He was deputy attorney general and chief deputy attorney general for the State of Delaware from 1961 to 1963. He is co-chairman, Delaware Intergovernmental Task Force and was co-chairman of the Governor's Franchise Tax Study Committee in 1974.

Executive Changes

At the end of 1978 Edwin M. Stokes, Vice President and Secretary for a number of years, retired. Mr. Stokes had been employed by the Company for 31 years, starting as Associate Counsel. Effective October 1, 1978, Kenneth J. Kircher assumed the position of Vice President and Secretary. Mr. Kircher had been Assistant Secretary from May 25, 1978. Previously, Mr. Kircher was employed by a subsidiary of the Company as Assistant Vice President and Associate Counsel. Harold J. Robinson was promoted October 1, 1978 to Assistant Vice President in addition to continuing his position as Assistant Secretary. In January 1979, Robert R. Meyer joined the Company as an Assistant Controller. He was most recently employed by a large financial organization.

Young People's Annual Report

Beneficial Corporation has just published *Susan, Jon and the company without a factory*, a colorful 48 page Annual Report for young people. By using Beneficial Corporation as an example, the book explores ideas such as capital, retailing, services, credit, profits, taxes, and how companies help many people—customers, stockholders, and employees. In *The company without a factory*, young people ages ten to fifteen can read about the basic elements of the free enterprise system and how it works for America. This annual report is available for distribution to children and grandchildren of shareholders, debenture holders, and employees, as well as for use in school classes. Copies are available upon request to Mr. Kenneth J. Kircher, Vice President and Secretary, Beneficial Corporation, P. O. Box 911, Wilmington, DE 19899.

Susan, Jon, and the company without a factory, a highly educational 48-page annual report for young people has been published by Beneficial this year.

Beneficial Corporation and Consolidated Subsidiaries
Balance Sheet

(in thousands) December 31	1978	1977
Assets		
Cash (Note 2)	$ 38,334	$ 35,285
Finance Receivables (Note 3)	3,586,648	3,046,667
Less Unearned Finance Charges	(571,211)	(520,490)
Balance of Principal of Finance Receivables	3,015,437	2,526,177
Less: Reserve for Possible Credit Losses	(147,836)	(126,309)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(126,255)	(112,886)
Net Finance Receivables	2,741,346	2,286,982
Investments—Securities (Note 4)	463,900	357,487
Receivable from Merchandising Division (Note 5 and Page 49)	77,132	138,300
Investments—Equity in Net Assets of Non-Consolidated Subsidiaries:		
Merchandising Division (Page 49)	343,809	343,878
Other	5,691	5,664
	349,500	349,542
Investment—Savings and Loan Company (Note 17)	10,485	—
Fixed Assets (at cost, less accumulated depreciation and amortization of $22,258 and $21,038)	38,992	25,922
Other Assets (Note 6)	162,961	127,696
Total	$3,882,650	$3,321,214
Liabilities and Shareholders' Equity		
Short-Term Notes and Employee Thrift Accounts (Note 7)	$ 520,032	$ 413,850
Accounts Payable and Accrued Liabilities (Note 8)	156,570	121,875
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	108,162	88,684
Long-Term Debt (Note 9)	2,211,348	1,861,731
Total Liabilities	2,996,112	2,486,140
Shareholders' Equity (Notes 4, 9, and 11):		
Preferred Stock	116,909	117,294
Common Stock (60,000 shares authorized, 22,022 and 21,924 shares issued and outstanding)	22,022	21,924
Capital Surplus	61,825	61,263
Net Unrealized Loss on Equity Securities	(7,116)	(2,919)
Retained Earnings	692,898	637,512
Total Shareholders' Equity	886,538	835,074
Total	$3,882,650	$3,321,214

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Beneficial Corporation and Consolidated Subsidiaries
Statement of Income

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Income from Finance Division							
Revenue:							
Consumer Finance	$155,890	$131,657	$588,990	$503,874	$433,163	$381,846	$388,218
Insurance	53,842	38,561	180,372	136,488	103,395	78,414	64,321
Total	209,732	170,218	769,362	640,362	536,558	460,260	452,539
Expenses:							
Interest	51,745	41,480	189,125	148,709	119,267	109,207	120,570
Less Interest Income from Non-Consolidated Subsidiaries	(1,437)	(2,369)	(7,485)	(8,126)	(7,509)	(11,539)	(15,483)
Interest (net)	50,308	39,111	181,640	140,583	111,758	97,668	105,087
Salaries and Employee Benefits	34,505	30,067	132,538	115,012	99,663	89,776	90,750
Provision for Possible Credit Losses (after offsetting recoveries)	24,823	22,535	70,845	65,706	60,419	54,755	51,123
Insurance Benefits Provided	26,223	18,435	86,672	70,403	56,873	42,340	38,581
Rent	4,867	4,304	18,329	16,584	15,025	14,601	14,141
Insurance Commissions	6,428	5,548	24,095	16,572	9,594	6,425	5,482
Advertising	6,511	4,556	17,922	13,965	9,434	6,651	9,327
Other	21,997	16,109	80,361	61,089	52,711	46,949	45,612
Total	175,662	140,665	612,402	499,914	415,477	359,165	360,103
Operating Income	34,070	29,553	156,960	140,448	121,081	101,095	92,436
Foreign Exchange Gain (Loss) (Notes 1f and 10)	202	298	(2,209)	(3,299)	(4,730)	(6,042)	(11,217)
Income before Provision for Income Taxes	34,272	29,851	154,751	137,149	116,351	95,053	81,219
Provision for Income Taxes:							
U.S. and Foreign (Note 13)	12,145	12,597	56,906	52,300	42,405	37,426	30,817
State and Local	1,678	1,125	6,379	7,033	9,331	7,057	6,590
Total	13,823	13,722	63,285	59,333	51,736	44,483	37,407
Income from Finance Division	20,449	16,129	91,466	77,816	64,615	50,570	43,812
Income from Merchandising Division (Page 49)	1,531	213	4,356	7,841	35,792	22,797	19,870
Income from Savings and Loan Company (Note 17 and Page 39)	1,457	—	2,478	—	—	—	—
Income before Extraordinary Credit	23,437	16,342	98,300	85,657	100,407	73,367	63,682
Extraordinary Credit (Note 15)	—	—	—	—	—	—	12,109
Net Income	$ 23,437	$ 16,342	$ 98,300	$ 85,657	$100,407	$ 73,367	$ 75,791
Earnings Per Common Share—Primary (Note 16):							
Earnings Available for Common Stock	$ 22,015	$ 14,886	$ 92,563	$ 79,444	$ 92,468	$ 63,858	$ 66,259
Average Outstanding Shares	22,094	21,985	22,102	21,808	20,436	19,145	19,103
Net Income (1974 includes Extraordinary Credit of $.64)	$1.00	$.67	$4.19	$3.64	$4.52	$3.34	$3.47
Earnings Per Common Share—Fully-Diluted (Note 16):							
Earnings Available for Common Stock	$ 22,187	$ 15,094	$ 93,299	$ 80,668	$ 99,011	$ 71,982	$ 74,451
Average Outstanding Shares	22,707	22,688	22,710	22,686	24,436	24,451	24,479
Net Income (1974 includes Extraordinary Credit of $.49)	$.98	$.67	$4.11	$3.56	$4.05	$2.94	$3.04
Dividends Per Common Share	$.45	$.40	$1.70	$1.60	$1.4375	$1.25	$1.25

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Consumer finance revenue increased $85 million (17%) in 1978 and $71 million (16%) in 1977. The gain for 1978 occurred primarily because average finance receivables were 18% higher than in the previous year. In addition, collections were slightly higher in 1978 than in 1977. The gain in 1977 was principally attributable to an 18% increase over 1976 in average finance receivables.

Insurance revenues increased $44 million (32%) in 1978 as a result of higher earned premiums and investment income. About two-thirds of the premium gain was in property and liability lines with the remainder contributed by life and accident and health. The $33 million (32%) increase in 1977 insurance revenues resulted principally from higher levels of non-credit related accident and health and property and liability reinsurance assumed. Investment income increased $7 million in 1978 and $5 million in 1977, due primarily, in both years, to the higher levels of investments generated by the higher volume mentioned above.

About $29 million of the $41 million (28%) increase in Interest Expense in 1978 occurred because of increased borrowings required for the higher level of receivables. The balance of the increase was due to higher average interest rates (7.93% in 1978 versus 7.39% in 1977). The $29 million increase in 1977 Interest Expense is almost all due to increased borrowings needed to finance the increase in receivables in that year.

The principal cause of the $17 million (15%) increase in Salaries and Employee Benefits in 1978 was inflation-generated higher salary levels and employee benefit costs. In addition, a greater number of employees was needed to handle the increased volume in consumer finance offices and in insurance operations. The 1977 increase reflected these factors as well as the effect of an increased number of consumer finance offices.

Provision for Possible Credit Losses increased $5 million in 1978, an increase of 8%. The increase was primarily due to the higher level of Finance Receivables and an increase in charge-offs of receivables considered uncollectible. However, charge-offs as a percentage of receivables declined to 1.57% of average monthly balances from 1.74% in 1977. The increase in 1977 was $5 million. The percentage increase of 9% in 1977 was less than the percentage increase in average Finance Receivables primarily because of a reduction in 1977 in the Reserve for Possible Credit Losses as a percentage of Finance Receivables and the decline in the percentage of charge-offs to average monthly balances.

Although Insurance Benefits Provided increased $16 million in 1978 and $13 million in 1977, the increases were less than the increased volume of business because of more favorable loss experience.

Rent Expense increased $2 million in 1978 and in 1977, increases of 11% and 10% respectively. The increases resulted both from the larger number of consumer finance offices operated and inflation-caused higher occupancy costs.

The $7 million increase in Insurance Commissions in both 1978 (45%) and 1977 (73%) reflects commissions paid for larger amounts of non-affiliated reinsurance business.

Advertising increased $4 million in 1978 and $5 million in 1977. These increases of 28% and 48% respectively resulted from going into additional markets and expanded media use, which were accompanied by higher radio, television, and print media rates. Increases in Other Expenses of $19 million in 1978 and $8 million in 1977 resulted from rising costs relating to growth in consumer finance operations. The comparative percentage increases of 31% in 1978 and 16% in 1977 also reflect escalating inflation in operating costs.

The Foreign Exchange Losses of $2 million in 1978 and $3 million in 1977 resulted primarily from the decline in the value of the Canadian dollar.

Changes in Provision for U.S. and Foreign Income Taxes are explained in Note 13, Page 38.

Just over $11 million of the increase in Finance Division income of $14 million in 1978 emanated from the Insurance Group (improved underwriting results and investment income). Over $9 million of the 1977 $13 million gain was attributable to the Insurance Group. The remainder of the gains in both years was generated by the consumer finance business.

Additional information on the Finance Division is given in the Financial section on Page 5, in the Consumer Finance section on Page 10, the Insurance Group section on Page 16, and the Reserve for Possible Credit Losses section on Page 14.

Income from Merchandising Division is discussed and analyzed on Page 51.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Retained Earnings

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Balance, Beginning of Period	$680,197	$630,837	$637,512	$592,842	$529,842	$489,827	$447,351
Net Income	23,437	16,342	98,300	85,657	100,407	73,367	75,791
Total	703,634	647,179	735,812	678,499	630,249	563,194	523,142
Dividends on Capital Stock:							
Preferred	912	939	5,810	6,403	7,445	9,596	9,626
Common	9,824	8,728	37,104	34,584	29,962	23,756	23,689
Total Dividends	10,736	9,667	42,914	40,987	37,407	33,352	33,315
Balance, End of Period	$692,898	$637,512	$692,898	$637,512	$592,842	$529,842	$489,827

Statement of Capital Surplus

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Balance, Beginning of Period	$61,671	$50,585	$61,263	$48,952	$40,141	$39,658	$39,180
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	89	42	297	447	8,587	118	231
Excess of stated value of $4.30 Dividend Cumulative Preferred Stock over par value of Company Common Stock issued upon conversion	—	10,570	—	11,579	5	3	—
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	—	—	—	—	—	164	22
Miscellaneous	65	66	265	285	219	198	225
Balance, End of Period	$61,825	$61,263	$61,825	$61,263	$48,952	$40,141	$39,658

The Notes to Financial Statements should be considered in connection with the above statements.

Beneficial Corporation and Consolidated Subsidiaries
Statement of Changes in Financial Position

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Source of Funds							
Operations:							
Income before extraordinary credit	$ 23,437	$ 16,342	$ 98,300	$ 85,657	$ 100,407	$ 73,367	$ 63,682
Non-cash charges (credits) to income:							
Provision for possible credit losses (before offsetting recoveries)	27,186	24,545	78,781	72,944	66,820	60,221	56,214
Increase (decrease) in unpaid expenses	(9,333)	(7,073)	11,346	9,639	(1,679)	3,502	185
Increase in insurance reserves	19,010	18,455	32,847	59,908	26,555	29,090	21,060
Depreciation, amortization, and other	2,119	1,864	8,090	6,763	6,256	6,400	5,858
Unrealized foreign exchange loss (gain)	(312)	(769)	1,701	(3,805)	1,769	3,669	9,744
Deferred income taxes	1,256	2,327	2,609	5,857	(1,395)	(3,902)	17,925
Undistributed net loss (income) of non-consolidated companies	1,345	3,847	(2,379)	(3,978)	(11,715)	(14,892)	(19,166)
Funds provided by operations	64,708	59,538	231,295	232,985	187,018	157,455	155,502
Extraordinary credit (Note 15)	—	—	—	—	—	—	12,109
Collections of principal on finance receivables	358,435	267,298	1,423,274	1,184,643	1,014,213	900,353	927,655
Short-term notes and employee thrift accounts—net increase (decrease)	217,915	38,899	106,182	112,433	(7,663)	19,183	24,298
Increase (decrease) in accounts payable	10,835	12,929	23,349	16,312	(14,640)	40,915	(6,032)
Long-term debt issued	3,999	155,649	392,074	494,846	290,545	39,372	103,945
Other	(22,532)	(16,135)	(51,947)	(34,061)	2,407	12,487	(2,126)
	$633,360	$518,178	$2,124,227	$2,007,158	$1,471,880	$1,169,765	$1,215,351
Application of Funds							
New funds lent to customers	$604,463	$412,470	$1,942,183	$1,488,341	$1,253,408	$ 975,777	$1,065,317
Principal balance of finance receivables purchased	5,162	6,035	36,659	202,971	90,471	47,512	4,158
Increase (decrease) in investments—securities (at carrying amount)	3,881	23,741	106,413	105,547	(24,757)	127,492	48,403
Long-term debt paid	1	49,987	35,992	120,848	155,035	41,877	103,449
Advances to Merchandising Division—net increase (decrease)	6,648	16,278	(61,168)	48,464	(39,684)	(56,245)	(39,291)
Purchase of interest in savings and loan company	2,469	—	21,234	—	—	—	—
Dividends on capital stock	10,736	9,667	42,914	40,987	37,407	33,352	33,315
	$633,360	$518,178	$2,124,227	$2,007,158	$1,471,880	$1,169,765	$1,215,351

The Notes to Financial Statements should be considered in connection with this statement.

1. Summary of Significant Accounting Principles and Practices

a) Examination of Financial Statements. The financial statements presented herein are prepared from the books and records of the companies. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The consolidated financial statements include, after intercompany eliminations, the accounts of all significant subsidiaries except those comprising the Merchandising Division, which are included on the equity method. Financial statements for the Merchandising Division are shown on Pages 48 through 58. The Company's investment in First Texas Financial Corporation is also included on the equity method (see Note 17 for further information). Certain prior year accounts have been reclassified to conform with 1978 presentation.

c) Finance Operations. The financial statements, with the exception of "Revenue—Consumer Finance," are prepared on the accrual basis.

Unearned finance charges generally are taken into income as earned and collected under the Rule of 78ths method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged monthly to the Reserve for Possible Credit Losses, but collection efforts generally are continued.

d) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and property and liability insurance.

The financial statements of all insurance subsidiaries are prepared in conformity with generally accepted accounting principles.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to earned premium.

Premiums on credit life and credit accident and health insurance are generally taken into income as earned under the Rule of 78ths. Premiums on property and liability insurance are taken into income on the straight-line method.

e) Valuation of Investments—Securities. Debt securities are carried at amortized cost. Equity securities (substantially all marketable) generally are carried at market value. The carrying amount of marketable equity securities is adjusted from cost to market value through a valuation allowance, the change in which, after deferred income taxes, is not reflected in Net Income but directly in Shareholders' Equity. (See Note 4.)

f) Translation of Foreign Currencies. Assets, including immaterial amounts of fixed assets and related accumulated depreciation and amortization, and liabilities in foreign currencies (principally Canadian) are translated to U.S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rates for each period covered by the Statement of Income. The net gain or loss is credited or charged to income.

2. Cash

Cash at December 31 consists of the following:

(in thousands)	1978	1977
On Hand and Unrestricted Deposits	$ 3,721	$ 591
Compensating Balances	34,613	34,694
Total Cash	$38,334	$35,285

Compensating balance requirements generally are the greater of 10% of the bank line of credit or 20% of actual borrowings. The use of lines of credit is periodically rotated among banks. (See Note 7.)

3. Finance Receivables

The amount of and maximum term in months (from origination) of Finance Receivables at December 31 are as follows:

	Amount		Maximum Term	
	1978	1977	1978	1977
	(in millions)		(months)	
Direct Cash Loans:				
Dollar-cost	$2,288	$2,097	180	120
Interest-bearing	911	720	180	180
All Loans	3,199	2,817		
Bank Credit Card Receivables	65	3	36	36
Lease Receivables	28	7	84	60
Sales Finance Contracts	295	220	60	60
Total Finance Receivables	$3,587	$3,047		

Scheduled contractual payments of Finance Receivables, excluding bank credit card receivables, to be received after December 31, 1978 are as follows:

	1979	1980	1981	1982	Beyond
Direct Cash Loans:					
Dollar-cost	44%	32%	17%	5%	2%
Interest-bearing	30	23	18	14	15
All Loans	40	29	17	8	6
Lease Receivables	24	24	22	20	10
Sales Finance Contracts	69	24	6	1	—
Total Finance Receivables	42	29	16	7	6

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal on Finance Receivables amounted to $1,423.3 million for 1978 and $1,184.6 million for 1977.

The percentage of monthly cash principal collections to average monthly balances was 4.43% for 1978 and 4.34% for 1977.

4. Investments—Securities

Except for temporary and miscellaneous investments of the Beneficial Finance System, $53.8 million in 1978 and $50.1 million in 1977 (at amortized cost), these are held by the insurance subsidiaries as long-term investments. Equity securities had a cost of $57.8 million at December 31, 1978 and $47.8 million at December 31, 1977.

Investments—Securities at December 31 consist of the following:

	1978		1977	
(in millions)	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities:				
Certificates of Deposit	$ 12.1	$ 12.1	$ 4.8	$ 4.8
Commercial Paper	19.3	19.3	10.9	10.9
U.S. Government Obligations	3.8	3.6	5.0	4.9
Foreign Government and Agency Obligations	64.8	63.8	44.8	44.9
Municipal Bonds	218.4	208.8	161.9	170.6
Convertible Bonds	21.6	20.4	22.5	21.7
Non-Convertible Bonds	64.2	59.3	53.7	52.6
Other	9.0	9.0	9.0	9.0
	413.2	396.3	312.6	319.4
Equity Securities:				
Preferred Stocks	32.1	32.1	27.0	27.0
Convertible Preferred Stocks	0.7	0.7	0.7	0.7
Common Stocks	17.9	17.9	17.2	17.2
	50.7	50.7	44.9	44.9
Total Investments—Securities	$463.9	$447.0	$357.5	$364.3

Net Unrealized Loss on Equity Securities, shown in the Balance Sheet at December 31 as part of Shareholders' Equity, is as follows:

(in millions)	1978	1977
Gross Unrealized Losses	$7.5	$3.8
Less Gross Unrealized Gains	(0.4)	(0.9)
Net Unrealized Loss	$7.1	$2.9

Realized gains and losses, determined on the specific cost identification basis, are not material.

5. Receivable from Merchandising Division

Of this amount at December 31, 1978 and 1977, $67.7 million and $50.0 million are receivable from Fairfax Family Fund, Inc., a consumer loan subsidiary of Spiegel, Inc.

6. Other Assets

At December 31 these consist of the following:

(in thousands)	1978	1977
Accrued Interest on Investments	$ 10,552	$ 8,349
Deferred Income Tax Benefits	7,585	9,020
Excess Cost of Common Stock of Subsidiaries	41,338	30,564
Insurance Premiums Receivable	35,902	22,778
Unamortized Insurance Policy Acquisition Costs	26,506	22,406
Unamortized Long-Term Debt Expense	15,146	14,078
Other	25,932	20,501
Total Other Assets	$162,961	$127,696

The only portion of Excess Cost of Common Stock that is being amortized in significant amount relates to the investment in First Texas Financial Corporation, which is being amortized over 40 years.

7. Short-Term Notes and Employee Thrift Accounts

At December 31 these consist of the following:

(in thousands)	1978	1977
Banks:		
Line of Credit Loans	$190,137	$143,492
Demand Master Note	9,742	9,084
	199,879	152,576
Commercial Paper	278,990	222,695
Total Short-Term Notes	478,869	375,271
Employee Thrift Accounts	41,163	38,579
Total	$520,032	$413,850

Data for Short-Term Notes for the years ended December 31 are:

(in thousands)	1978	1977
Maximum amount at any month end	$478,869	$513,879
Daily average amount	$254,653	$361,644
Average interest rate (actual interest expense divided by daily average amount):		
U.S. dollar borrowings	8.44%	6.06%
Foreign currency borrowings	9.07	10.38
Overall	8.71	7.01

The average interest rates on Short-Term Notes outstanding at December 31, without giving effect to compensating balances at banks, and maturities are as follows:

	1978	1977
Average Interest Rates:		
Banks:		
U.S. dollars (at prime)	11.89%	7.86%
Foreign currencies	8.68	7.07
Overall	10.70	7.63
Demand Master Note (varies with prevailing money market rates)	10.25	6.95
Commercial Paper (varies with prevailing money market rates):		
U.S. dollars	10.32	6.66
Foreign currencies	10.37	9.86
Overall	10.33	7.43
Maturities (in days):		
Banks	1-365	1-365
Commercial Paper	15-210	20-210

At December 31 bank lines of credit are as follows:

(in thousands)	1978	1977
Loans	$190,137	$143,492
Unused Portion	298,969	323,706
Total Lines	$489,106	$467,198

8. Accounts Payable and Accrued Liabilities

At December 31 these consist of the following:

(in thousands)	1978	1977
Accrued Interest	$ 42,282	$ 33,309
Dealer Reserves	16,244	14,249
Deposits Payable	16,189	15,501
Income Taxes Payable	2,681	12,619
Insurance Premiums Payable	46,519	20,826
Minority Interest in Subsidiaries	623	4,588
Other	32,032	20,783
Total Accounts Payable and Accrued Liabilities	$156,570	$121,875

9. Long-Term Debt and Surplus Restrictions

Long-term debt outstanding at December 31 is as follows:

(in thousands)	1978	1977
By Currency:		
United States	$2,014,295(a	$1,680,102(a
Australian	41,938	37,396
British	4,080	3,840
Canadian	121,754	132,038
Swiss	6,240	5,018
West German	23,041	3,337
Total Long-Term Debt	$2,211,348	$1,861,731
By Maturity:		
1978	$ —	$ 35,897
1979	195,574	195,825
1980	130,649(b	129,683(b
1981	81,155	79,397
1982	8,927	5,620
1983	151,149	150,000
1984-88	616,749(c	238,072(c
1989-93	323,145(d	323,237(d
1994-98	254,000(e	254,000(e
1999-2003	300,000	300,000
2004-2007	150,000	150,000
Total Long-Term Debt	$2,211,348	$1,861,731
Includes subordinated debt as follows:		
a)	$100,000	$100,000
b)	50,000	50,000
c)	5,000	5,000
d)	25,000	25,000
e)	20,000	20,000
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	7.56%	7.40%

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1978 and 1977 the amounts of all unrestricted Surplus (Capital Surplus and Retained Earnings), under the most restrictive of these covenants, are approximately $240 million and $298 million.

10. Foreign Operations

After translation to U.S. dollar equivalents, assets, liabilities, and net assets denominated in foreign currencies at December 31 and operating income, foreign exchange loss, and net income from operations in foreign countries for the years then ended are:

(in millions)	1978	1977
Assets	$489.2	$410.8
Liabilities	391.9	325.1
Net Assets	$ 97.3	$ 85.7
Operating Income*	$10.4	$22.1
Foreign Exchange Gain (Loss)*	(5.4)	(11.3)
Net Income from Operations in Foreign Countries	$ 5.0	$10.8

*After income taxes.

Foreign Exchange Gain (Loss) on a consolidated basis is as follows:

(in millions)	1978	1977
Domestic operations	$10.2	$10.0
Foreign operations	(12.4)	(13.3)
Total	(2.2)	(3.3)
Less related income taxes	0.6	(2.3)
Foreign Exchange Gain (Loss) after related income taxes	$(2.8)	$(1.0)

11. Capital Stock

At December 31 the number of shares of capital stock is as follows:

	Issued and Oustanding	
	1978	1977
Preferred Stock—no par value (issuable in series). Authorized, 500,000	None	None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred Stock—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $12,337,000 and $14,259,400). Authorized, 1,164,077	123,370	142,594
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value. Authorized, 1,069,204	836,585	836,585
Common Stock—$1 par value. Authorized, 60,000,000	22,021,691(b	21,923,975(b

After deducting treasury shares:

	1978	1977
a)	178,012	178,012
b)	4,806,225	4,817,456

Of the authorized shares shown above as of December 31, 1978, 555,165 shares of Common are issuable upon conversion of $5.50 Preferred.

12. Employee Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded. Total expense of the plans was $4.4 million for 1978 and $3.6 million for 1977.

13. U.S. and Foreign Taxes on Income

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including the eligible merchandising subsidiaries. The Provision for U.S. and Foreign Income Taxes for the Finance Division is comprised of:

(in thousands)	1978	1977
United States:		
Current	$46,816	$41,274
Deferred	4,918	3,962
Total U.S.	51,734	45,236
Foreign:		
Current	7,481	5,169
Deferred	(2,309)	1,895
Total Foreign	5,172	7,064
Total	$56,906	$52,300

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. Charges (credits) to Provision for U.S. and Foreign Income Taxes—Deferred relate to:

(in thousands)	1978	1977
Differences between cash and accrual basis	$(1,161)	$1,149
Insurance Benefits Provided	(512)	(878)
Insurance Policy Acquisition Costs	1,438	2,630
Unrealized Foreign Exchange Gain (Loss)	3,534	2,519
Other	(690)	437
	$ 2,609	$5,857

A reconciliation between the expected and the effective U.S. and foreign tax rates on Finance Division Income before Provision for Income Taxes follows:

	1978	1977
Expected Tax Rate	48.0%	48.0%
Increases (Decreases) in Tax Rate Resulting from:		
Income of insurance subsidiaries taxed at lower effective rates	(8.9)	(7.9)
State and local income taxes	(2.0)	(2.5)
Unrealized and untaxed foreign exchange gains and losses	1.8	3.5
Application of foreign tax credit	(1.7)	(1.1)
Other	(0.4)	(1.9)
Effective Tax Rate	36.8%	38.1%

U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as such retained earnings are expected to be permanently invested in foreign countries.

14. Leases

Real estate leases total 1,950 and generally have an original term of five years with renewal option for a like term. Data processing equipment lease terms range from one to seven years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1978 are as follows:

(in millions)	
1979	$12.6
1980	10.2
1981	7.2
1982	5.1
1983	2.7
1984 thru 1988	4.3
Thereafter	1.7
Total	$43.8

15. 1974 Extraordinary Credit

In October 1974 a non-consolidated 79.9% owned subsidiary, whose operations in prior years were not significant, sold 64,000 acres of undeveloped land in Florida. Beneficial Corporation's portion of the gain, after taxes of $5.2 million at capital gain rates, was $12.1 million.

16. Earnings Per Common Share

Primary Earnings per Common Share is computed on basis of average shares outstanding and equivalents thereof after deducting dividend requirements on Preferred Stocks. None of the Preferred Stocks are common stock equivalents.

Fully-diluted Earnings per Common Share is computed on same basis as above except that average shares outstanding include those that would result from conversion of $5.50 Preferred Stock and, prior to the expiration of the conversion period on October 31, 1977, $4.30 Preferred Stock, and preferred dividend requirements on only non-convertible issues are deducted.

17. Investment in Savings and Loan Company

The Company and First Texas Financial Corporation have entered into a definitive agreement of merger under which First Texas will become a Beneficial subsidiary. Substantially all requisites have been completed except for approval by federal regulatory authorities. First Texas, a savings and loan holding company with assets of $1.5 billion, operates 55 offices throughout Texas.

Beneficial currently owns 24.1% of the outstanding stock of First Texas, acquired in 1978 at an aggregate cost of $21 million. Should the merger be consummated, the cost of acquiring the remaining shares will be approximately $71 million. The carrying amount of the investment as shown in the Balance Sheet is based upon the purchase method of accounting.

Net income of First Texas for the years ended December 31 was $10.8 million for 1978 and $8.2 million for 1977.

Income from Savings and Loan Company consists of equity in net income of First Texas of $1.7 million plus $0.8 million representing the effect of purchase accounting adjustments.

18. Information about Operations in Different Geographic Areas

Information about the operations in different geographic areas of the Finance Division for the years ended December 31 and assets of the Company and consolidated subsidiaries at December 31 is as follows:

1978 (in thousands)	United States	Canada	Other Foreign	Eliminations	Consolidated
Revenue from Unaffiliated Customers	$ 644,169	$ 51,360	$ 73,621		$ 769,150
Transfers among Geographic Areas	13,549			$(13,549)	
Total	$ 657,718	$ 51,360	$ 73,621	$(13,549)	$ 769,150
Operating Profit	$ 132,252	$ 15,994	$ 14,559		$ 162,805
Foreign Exchange Gain (Loss)	$ 10,221	$(14,418)	$ 1,988		(2,209)
Equity in Net Income of Non-Consolidated Subsidiaries					212
General Corporate Expenses					(6,057)
Income Before Provision for Income Taxes					$ 154,751
Identifiable Assets at December 31, 1978	$2,907,047	$224,421	$352,371	$(93,426)	$3,390,413
Investments in and Advances to Non-Consolidated Subsidiaries					471,724
Corporate Assets					20,513
Total Assets at December 31, 1978					$3,882,650

1977 (in thousands)	United States	Canada	Other Foreign	Eliminations	Consolidated
Revenue from Unaffiliated Customers	$ 531,523	$ 52,769	$ 55,783		$ 640,075
Transfers among Geographic Areas	8,371			$ (8,371)	
Total	$ 539,894	$ 52,769	$ 55,783	$ (8,371)	$ 640,075
Operating Profit	$ 108,653	$ 20,820	$ 15,183		$ 144,656
Foreign Exchange Gain (Loss)	$ 10,032	$(14,259)	$ 928		(3,299)
Equity in Net Income of Non-Consolidated Subsidiaries					287
General Corporate Expenses					(4,495)
Income Before Provision for Income Taxes					$ 137,149
Identifiable Assets at December 31, 1977	$2,385,916	$234,801	$234,865	$(63,526)	$2,792,056
Investments in and Advances to Non-Consolidated Subsidiaries					509,362
Corporate Assets					19,796
Total Assets at December 31, 1977					$3,321,214

Amounts eliminated among geographic areas consist of interest and service fees paid to U.S. affiliates. Operating profit is total revenue less operating expenses (including interest expense), but before foreign exchange gain (loss), equity in net income of non-consolidated subsidiaries, general corporate expenses, and provision for income taxes.

Identifiable assets are those assets identified with the operations in each geographic area. Corporate assets are principally cash.

19. Information about Industry Operations of the Finance Division

Information about industry operations of the Finance Division for the years ended December 31 and assets of the Company and consolidated subsidiaries at December 31 is as follows:

1978 (in thousands)	Finance	Insurance	Eliminations	Consolidated
Revenue from Unaffiliated Customers	$ 588,990	$180,372		$ 769,362
Intersegment Revenue	9,692	25	$ 9,717	
Total	$ 598,682	$180,397	$ 9,717	$ 769,362
Operating Profit	$ 112,962	$ 49,843		$ 162,805
Foreign Exchange Gain (Loss)	$ (3,424)	$ 1,215		(2,209)
Equity in Net Income of Non-Consolidated Subsidiaries				212
General Corporate Expenses				(6,057)
Income before Provision for Income Taxes				$ 154,751
Identifiable Assets at December 31, 1978	$3,032,379	$492,764	$(134,730)	$3,390,413
Investments In and Advances to Non-Consolidated Subsidiaries				471,724
Corporate Assets				20,513
Total Assets at December 31, 1978				$3,882,650

1977 (in thousands)	Finance	Insurance	Eliminations	Consolidated
Revenue from Unaffiliated Customers	$ 503,587	$136,488		$ 640,075
Intersegment Revenue	6,641	14	$ (6,655)	
Total	$ 510,228	$136,502	$ (6,655)	$ 640,075
Operating Profit	$ 108,415	$ 36,241		$ 144,656
Foreign Exchange Gain (Loss)	$ (3,839)	$ 540		(3,299)
Equity in Net Income of Non-Consolidated Subsidiaries				287
General Corporate Expenses				(4,495)
Income before Provision for Income Taxes				$ 137,149
Identifiable Assets at December 31, 1977	$2,543,827	$368,008	$(119,779)	$2,792,056
Investments In and Advances to Non-Consolidated Subsidiaries				509,362
Corporate Assets				19,796
Total Assets at December 31, 1977				$3,321,214

Amounts eliminated between industry segments are principally revenue of finance subsidiaries derived from insurance activities with affiliated insurance companies and insurance reserves applicable to Finance Receivables.

20. Quarterly Financial Data

Selected quarterly financial data required by Securities and Exchange Commission rules are included (unaudited) in Supplemental Information—Data by Calendar Quarter, Page 60.

**The Board of Directors and Shareholders
of Beneficial Corporation**

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1978 and 1977 and the related statements of income, retained earnings, capital surplus, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Merchandising Division or of the Savings and Loan Company, the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements of such companies were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors. We have previously examined and expressed our unqualified opinions on the consolidated financial statements for the three years ended December 31, 1976 from which the comparative financial information on Pages 31 through 34 was prepared.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1978 and 1977 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the comparative financial information referred to above presents fairly in all material respects the information set forth therein on a basis consistent with the financial statements for 1978 and 1977.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 14, 1979

Beneficial Insurance Companies (Insurance Group)
Balance Sheet

(in thousands) December 31	1978	1977
Assets		
Investments—Securities (Notes 1b and 2)	$410,300	$307,629
Cash	4,403	3,465
Premiums and Other Amounts Due from Policyholders and Ceding Companies	44,392	29,961
Accrued Investment Income	8,786	6,492
Unamortized Policy Acquisition Costs (Notes 1c and 3)	26,506	22,406
Other Assets	2,593	2,204
Total	$496,980	$372,157
Liabilities and Shareholder's Equity		
Insurance Policy and Claim Reserves (Notes 1d and 4)	$233,321	$199,598
Due to Banks	8,160	3,840
Due to Affiliated Companies	17,412	2,481
Amounts Due Reinsurers and Ceding Companies	48,275	21,898
Federal Income Taxes—Current (Notes 1f and 5)	1,338	418
Federal Income Taxes—Deferred (Note 1f)	4,228	3,757
Other Liabilities	9,474	6,677
Total Liabilities	322,208	238,669
Shareholder's Equity		
Capital Stock	23,590	23,470
Capital Surplus	9,398	4,518
Net Unrealized Loss on Equity Securities (Notes 1b and 2)	(7,116)	(2,919)
Retained Earnings	148,900	108,419
Total Shareholder's Equity	174,772	133,488
Total	$496,980	$372,157

See Notes to Financial Statements.

Insurance Group
Statement of Income and Retained Earnings

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Revenue:							
Premiums Earned (Notes 1e and 6)	$ 45,070	$ 32,141	$149,028	$114,314	$ 90,252	$69,510	$58,661
Investment Income (net)	6,561	5,026	23,482	16,908	11,883	8,842	6,262
Other Income	1,793	970	6,461	3,777	2,449	469	994
Total	53,424	38,137	178,971	134,999	104,584	78,821	65,917
Benefits and Expenses:							
Policy Benefits	26,223	18,435	86,672	70,403	56,854	42,340	38,581
Commissions and Brokerage	13,624	10,157	36,136	31,086	18,966	11,072	7,998
Salaries and Employee Benefits	937	697	2,872	2,194	1,571	1,268	842
Premium Taxes	1,068	852	3,886	2,616	1,433	1,898	1,489
Other Expenses	985	586	4,043	3,484	3,227	2,493	2,412
Decrease (Increase) in Unamortized Policy Acquisition Costs	(3,842)	(3,292)	(4,142)	(9,791)	(4,422)	(1,051)	210
Foreign Exchange Loss (Gain) (Note 1g)	73	175	(1,215)	(540)	(1,369)	(132)	5
Total	39,068	27,610	128,252	99,452	76,260	57,888	51,537
Income before Federal Income Taxes and Realized Net Investment Gains (Losses)	14,356	10,527	50,719	35,547	28,324	20,933	14,380
Provision for Federal Income Taxes (Note 5)	3,130	2,312	9,756	6,590	6,493	3,374	3,020
Income before Realized Net Investment Gains (Losses)	11,226	8,215	40,963	28,957	21,831	17,559	11,360
Realized Net Investment Gains (Losses) (Note 5)	67	276	334	1,202	(1,151)	(386)	(652)
Net Income	11,293	8,491	41,297	30,159	20,680	17,173	10,708
Retained Earnings, Beginning of Period	138,423	99,928	108,419	78,260	62,080	44,907	38,749
Total	149,716	108,419	149,716	108,419	82,760	62,080	49,457
Dividends Paid	816	—	816	—	4,500	—	4,550
Retained Earnings, End of Period	$148,900	$108,419	$148,900	$108,419	$ 78,260	$62,080	$44,907

See Notes to Financial Statements.

Insurance Group
Statement of Changes in Financial Position

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Source of Funds							
Operations:							
Net Income	$ 11,293	$ 8,491	$ 41,297	$ 30,159	$ 20,680	$ 17,173	$ 10,708
Non-cash charges (credits) to income:							
Increase in insurance policy and claim reserves	18,642	16,960	33,723	59,932	26,296	23,527	20,954
Increase (decrease) in unamortized policy acquisition costs	(3,777)	(3,298)	(4,100)	(9,748)	(3,329)	(188)	(1,018)
Deferred income taxes	881	527	482	1,069	1,771	(548)	413
Funds provided by operations	27,039	22,680	71,402	81,412	45,418	39,964	31,057
Issuance of additional common stock	4,000	—	5,000	—	15,000	4,168	—
Increase (decrease) in other liabilities	7,916	7,390	29,174	21,007	2,218	3,665	(2,428)
Sales and maturities of securities	117,587	71,824	266,582	214,182	188,762	149,933	143,236
Other	1,413	8,124	5,647	199	(781)	2,939	5,044
	$157,955	$110,018	$377,805	$316,800	$250,617	$200,669	$176,909
Application of Funds							
Acquisition of investment securities	$129,522	$102,854	$364,063	$321,029	$231,182	$177,358	$170,120
Increase (decrease) in other investments	6,085	34	6,109	(11,728)	11,890	3,802	2,837
Acquisition of other insurance companies	—	—	—	—	—	3,666	—
Increase (decrease) in insurance-related receivables	10,742	2,276	14,431	4,560	4,839	6,490	(1,877)
Increase (decrease) in net unrealized loss on equity securities	4,098	464	4,197	1,133	(4,201)	5,987	—
Dividends paid (excluding stock dividend)	816	—	816	—	4,500	—	—
Decrease (increase) in amount due affiliates	5,668	3,217	(14,931)	(926)	681	2,462	5,093
Other	1,024	1,173	3,120	2,732	1,726	904	736
	$157,955	$110,018	$377,805	$316,800	$250,617	$200,669	$176,909

See Notes to Financial Statements.

1. Summary of Significant Accounting Principles and Practices

a) Basis of Financial Statements and Principles of Combination
The accompanying combined financial statements are presented in accordance with generally accepted accounting principles, which vary in certain respects from statutory accounting practices prescribed by insurance regulatory authorities. All significant intercompany balances and transactions have been eliminated.

The companies of the Insurance Group are wholly-owned by Beneficial Corporation. A substantial amount of the combined income of the Insurance Group results from business written with customers of the consumer finance subsidiaries of Beneficial Corporation. Commissions and other expenses are paid to subsidiaries of Beneficial Corporation for services rendered.

b) Investments—Securities
Bonds and mortgage loans are carried at amortized cost. Preferred stock (which by its terms either must be redeemed by the issuer or may be redeemed at the owner's option) is carried at cost. Common stock and non-redeemable preferred stock is carried at market value. Realized gains and losses and provisions for permanent declines in market values are included in income. Unrealized gains and losses on marketable equity securities, less applicable deferred income taxes, are included in a valuation allowance in Shareholder's Equity, and accordingly are not reflected in income.

c) Unamortized Policy Acquisition Costs
The costs of acquiring business are deferred and amortized over the lives of the acquired policies in relation to earned premium. Such costs, which vary directly with and are related to the production of new business, include commissions, bonuses paid on reinsurance assumed, bonuses paid on ordinary coinsurance, and premium taxes on single premium contracts.

d) Insurance Policy and Claim Reserves
Liabilities for future life insurance policy benefits and annuity policies have been computed on the basis of assumptions as to investment yields, mortality, morbidity, and withdrawals and are presented net of reinsurance ceded. Such actuarial assumptions vary by plan, year of issue, and policy duration. Reserves for a majority of the life business are based upon use of the 1955-1960 Basic Select and Ultimate Table, with interest rates ranging from 2¼% to 7%. The annuity reserves are based on the 1937 Standard Annuity Table with interest rates ranging from 5% to 7½%. Credit life, credit accident and health, and property and liability reserves consist solely of unearned premiums. Credit accident and health reserves have been adjusted to reflect the Group's experience.

The liability for policy and contract claims is based upon estimates of payments to be made for individual claims reported and those losses incurred but unreported. Such estimates are reviewed regularly and any changes in the estimates are recognized in income currently.

e) Premiums Earned
Premiums on credit life, credit accident and health, and property and liability insurance are generally taken into income on the Rule of 78ths or the straight-line method (as appropriate) over the lives of the policies. Non-credit life insurance premiums are included in income as earned.

f) Income Taxes
The Central National Life Insurance Company of Omaha and Guaranty Life Insurance Company of America qualify as life insurance companies for federal income tax purposes and file separate returns. Beneficial International Insurance Company, Ltd., is a foreign corporation and is not subject to either United States or foreign income taxes. The remaining companies, which are property and liability insurers, are either included in the consolidated federal income tax return of Beneficial Corporation or file separate foreign income tax returns. Beneficial Corporation allocates the consolidated taxes to the companies included in the consolidation on the basis of each company's share of taxable income. Deferred income taxes are provided for the timing differences between financial statement and taxable income.

g) Translation of Foreign Currencies
Assets and liabilities in foreign currencies are included in the Balance Sheet after translation to U.S. dollar equivalents at rates determined in accordance with Statement No. 8 and Interpretation No. 15 issued by the Financial Accounting Standards Board. The operating results have been translated at average rates prevailing during each period.

2. Investments—Securities

Investments by type at December 31 are as follows:

(in thousands)	1978	1977
Debt Securities:		
Bonds and Notes (market value: 1978, $325,095; 1977, $257,897)	$341,717	$250,881
Mortgage Loans	3,709	4,370
Policy Loans	5,279	4,635
Certificates of Deposit and Interest-bearing Cash Deposits	9,041	2,917
	359,746	262,803
Equity Securities:		
Preferred Stocks (cost: 1978, $36,166; 1977, $28,207)	32,720	27,686
Common Stocks (cost: 1978, $21,504; 1977, $19, 527)	17,834	17,140
	50,554	44,826
Total Investments—Securities	$410,300	$307,629

The valuation allowance pertaining to equity securities at December 31, 1978, which is deducted from Shareholder's Equity, reflects gross unrealized losses of $7,482,000 (1977, $3,811,000) and gross unrealized gains of $366,000 (1977, $892,000) after giving effect to related income taxes.

In connection with reinsurance assumed, the Insurance Group has recorded its share of insurance reserves and policy claims in the accompanying financial statements. As security under the terms of certain reinsurance agreements, the Insurance Group has pledged security investments with a carrying value of approximately $74,000,000 at December 31, 1978.

3. Unamortized Policy Acquisition Costs

At December 31, these are comprised of the following:

(in thousands)	1978	1977
Commissions, Reinsurance Retention, and Administration Fees	$18,768	$14,559
Adjustments of Acquired Life Insurance	5,859	6,370
Premium Taxes	1,879	1,477
Total	$26,506	$22,406

4. Insurance Policy and Claim Reserves

Insurance reserves at December 31 are comprised of the following:

(in thousands)	1978	1977
Future Policy Benefits and Unearned Premiums:		
Life:		
Unearned Premiums—Credit Life	$ 54,092	$ 46,021
Future Policy Benefits—Life Insurance and Annuities	36,950	35,494
Total Life	91,042	81,515
Accident and Health:		
Unearned Premiums—Credit Accident and Health	41,357	37,371
Future Policy Benefits and Unearned Premiums—Other Accident and Health	37	6
Total Accident and Health	41,394	37,377
Property and Liability— Unearned Premiums	51,105	44,133
Total	183,541	163,025
Policy and Contract Claims:		
Life	4,803	4,488
Accident and Health	11,728	10,292
Property and Liability	33,249	21,793
Total	49,780	36,573
Total Insurance Policy and Claim Reserves	$233,321	$199,598

Future policy benefits and unearned premiums have been reduced by $41,000,000 in 1978 and $30,000,000 in 1977 for reinsurance ceded. To the extent that any reinsuring company might not be able to meet its obligation, the Insurance Group would be liable for such defaulted amounts. While the Group has never experienced a default on a reinsurance agreement, it does —with certain reinsuring companies—obtain letters of credit or pledged securities that could be used in the event of default.

5. Federal Income Taxes

Federal income tax returns of The Central National Life Insurance Company of Omaha for some years are unsettled back to 1958. All liabilities of Central National relating to years prior to 1971 are the obligation of the previous owner, who has delivered an irrevocable letter of credit in the amount of $1,700,000 to indemnify against possible tax assessments for such prior years.

Certain special deductions are allowed life insurance companies for federal income tax purposes and are accumulated in a special memordanum tax account designated as "Policyholders' Surplus." As of December 31, 1978 and 1977, $39,900,000 and $33,300,000, respectively, of Policyholders' Surplus was accumulated for which no federal tax provision has been made since such amounts are taxable only if distributed as dividends or if certain conditions prescribed by federal tax laws are met. No dividends are contemplated as being distributed out of the Policyholders' Surplus.

The difference between the statutory tax rate and the effective tax rate is as follows:

	1978	1977
Expected Tax Rate	48.0%	48.0%
Dividend Received Deduction	(2.6)	(2.0)
Tax Exempt Interest	(10.5)	(11.0)
Special Life Insurance Deductions	(6.5)	(6.9)
Foreign Income not Subject to Tax	(8.9)	(9.3)
Other (net)	(.2)	(.3)
Effective Tax Rate	19.3%	18.5%

Deferred taxes included in Provision for Federal Income Taxes in the Statement of Income for the two years ended December 31, 1978 are as follows:

(in thousands)	1978	1977
Unamortized Policy Acquisition Costs	$1,438	$ 2,630
Insurance Policy and Claim Reserves	(512)	(1,188)
Other	(444)	(373)
Total	$ 482	$ 1,069

Capital gains tax of $63,000 was not provided in 1978 and $130,000 in 1977 because of the utilization of capital losses carried forward from prior years. As of December 31, 1978, approximately $894,000 of capital losses, which expire in 1981, are available to offset taxes on future capital gains.

Realized net investment gains (losses) have been reduced by applicable income taxes of $5,000 in 1978 and $33,000 in 1977.

6. Supplemental Financial Information

Written and earned premiums and policy benefits incurred, by major lines of business, are as follows:

	Years Ended December 31				
(in thousands)	1978	1977	1976	1975	1974
Life:					
Written premium	$57,680	$66,370	$54,618	$37,415	$34,597
Earned premium	48,078	42,370	47,956	29,297	30,087
Policy benefits incurred	27,742	25,576	33,029	17,307	18,290
Accident and Health:					
Written premium	43,986	39,469	25,827	20,955	17,333
Earned premium	39,865	32,432	18,141	16,959	12,518
Policy benefits incurred	25,718	22,757	11,606	11,882	11,069
Property and Liability:					
Written premium	68,559	58,123	33,343	30,117	21,302
Earned premium	61,085	39,512	24,155	23,254	16,056
Policy benefits incurred	33,212	22,070	12,219	13,151	9,222

7. Subsequent Event

On January 12, 1979, The Central National Life Insurance Company of Omaha acquired all of the outstanding stock of the Northwestern Security Life Insurance Company for approximately $12,800,000. As of December 31, 1978, the assets of Northwestern Security Life were $26,400,000 and shareholders' equity was $7,500,000. Earned premium for the year ended December 31, 1978 was $12,700,000 and net income was $1,900,000.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the combined balance sheets of the Beneficial Insurance Companies as of December 31, 1978 and 1977 and the related statements of combined income and retained earnings and changes in combined financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and expressed our unqualified opinions on the combined financial statements for the three years ended December 31, 1976 from which the comparative financial information on Pages 44 and 45 was prepared.

In our opinion, such financial statements present fairly the combined financial position of the companies at December 31, 1978 and 1977, and the results of their combined operations and the changes in their combined financial postion for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the comparative financial information referred to above presents fairly in all material respects the information set forth therein on a basis consistent with the financial statements for 1978 and 1977.

DELOITTE HASKINS & SELLS

Morristown, N.J.
February 14, 1979

Beneficial Corporation Merchandising Division
Balance Sheet

(in thousands) December 31	1978	1977
Assets		
Current Assets:		
Cash (Note 4)	$ 34,806	$ 15,500
Receivables (Note 1c):		
Instalment Accounts	577,811	569,348
Revolving Accounts	45,698	43,463
Wholesale Accounts	187,038	203,759
	810,547	816,570
Less Unearned Finance Charges	(104,239)	(107,092)
	706,308	709,478
Less Allowance for Doubtful Receivables	(44,848)	(43,781)
Net Receivables	661,460	665,697
Inventories (Note 1d)	185,983	203,082
Prepaid Expenses	18,454	12,573
Total Current Assets	900,703	896,852
Fixed Assets (at cost, less accumulated depreciation and amortization of $45,559 and $42,168) (Note 1f)	87,082	85,915
Other Assets	2,974	3,398
Total	$990,759	$986,165
Liabilities and Shareholder's Equity		
Current Liabilities:		
Short-Term Notes (Note 4)	$ 93,450	$ 31,500
Long-Term Debt Due Within One Year (Note 5)	105,667	5,837
Accounts Payable	111,070	99,051
Payable to Beneficial Corporation (Notes 1e and 4)	77,132	138,300
State and Other Income Taxes Payable	6,323	3,665
Deferred Federal Income Taxes (Note 7)	61,076	62,429
Accrued Taxes, Warranties, and Other Liabilities	50,646	49,751
Accrued Store Closings (Note 2)	3,239	7,733
Total Current Liabilities	508,603	398,266
Long-Term Debt (Note 5)	132,616	239,201
Deferred Federal Income Taxes (Note 7)	5,731	4,820
Total Liabilities	646,950	642,287
Shareholder's Equity (including Retained Earnings of $227,549 and $227,618) (Note 5)	343,809	343,878
Total	$990,759	$986,165

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Beneficial Corporation Merchandising Division

Statement of Income and Retained Earnings

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Net Sales and Other Revenue	$313,839	$316,609	$1,115,863	$1,178,685	$1,206,346	$1,020,400	$1,039,232
Expenses:							
Cost of Goods Sold (including certain buying and occupancy expenses)	217,261	224,438	776,186	818,261	812,841	651,291	654,709
Selling and Administrative Expense	85,983	85,144	299,271	304,116	293,892	289,262	300,923
Interest Expense:							
Beneficial Corporation	1,353	2,369	7,400	8,111	7,510	11,582	15,532
Other	7,773	5,400	26,259	21,933	21,347	21,673	28,497
Provision for Store Closings and Other Items (Note 2)	—	—	—	12,100	—	—	—
Total	312,370	317,351	1,109,116	1,164,521	1,135,590	973,808	999,661
Income (Loss) before Income Taxes	1,469	(742)	6,747	14,164	70,756	46,592	39,571
Provision for Income Taxes (Note 7):							
Federal:							
Current	(1,320)	8,610	1,769	16,558	37,015	26,239	6,887
Deferred	1,434	(9,626)	59	(11,185)	(5,114)	(4,534)	10,558
State	(176)	61	563	950	3,063	2,090	2,256
Total	(62)	(955)	2,391	6,323	34,964	23,795	19,701
Net Income	1,531	213	4,356	7,841	35,792	22,797	19,870
Retained Earnings, Beginning of Period	230,443	231,455	227,618	225,487	213,895	199,098	180,228
Total	231,974	231,668	231,974	233,328	249,687	221,895	200,098
Dividends Paid (Note 1a)	4,425	4,050	4,425	5,710	24,200	8,000	1,000
Retained Earnings, End of Period	$227,549	$227,618	$ 227,549	$ 227,618	$ 225,487	$ 213,895	$ 199,098

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Net Sales and Other Revenue decreased 5.3% in the year ended December 31, 1978 as compared to the year 1977. The continued collapse of the CB market was the primary reason for this decrease. Sales were also adversely affected by the closing of two divisions at Midland during 1978, the closing of certain unprofitable Western Auto company-owned stores in late 1977 and 1978, and the closing of catalog order stores by Spiegel in the Spring of 1978. Net Sales and Other Revenue decreased 2.3% in 1977 primarily because of the substantial decline in the unprecedented demand for citizens band radios from the unusually high levels which prevailed during the first nine months of 1976. The sales decrease was partially offset by increased sales in the wholesale and retail operations of Western Auto and in the catalog sales of Spiegel. Net Sales and Other Revenue increased 18.2% in 1976 because of the growth in the retail and wholesale operations, particularly in the wholesale sales of citizens band radios. For 1975, Net Sales and Other Revenue decreased 1.8% primarily because of the effect of the continuing economic recession, which caused a decline in consumer demand. Also, the continuation of the more restrictive credit acceptance policy, instituted in 1974 for catalog sales, had a depressing effect on credit sales. These effects were partially offset by the successful marketing of citizens band radios in the second half of 1975.

Cost of Goods Sold decreased 5.1% in 1978, which is in proportion to the decrease in Net Sales and Other Revenue. Cost of Goods Sold remained relatively constant in amount for 1977, despite the decrease in Net Sales and Other Revenue, due to narrowing of profit margins primarily relating to sales of citizens band radios. Profit margins were also narrowed by more competitive pricing for other types of merchandise. Cost of Goods Sold increased 24.8% in 1976. This increase is not proportional to the increase in sales since price reductions on the sale of 23-channel citizens band radios were necessary in the later part of 1976 in order to reduce inventory levels in anticipation of the sale of 40-channel units, beginning in 1977.

Selling and Administrative Expense decreased by 1.6% in 1978 primarily because of curtailment of activities at Midland. Selling and Administrative Expense decreased 3.9% in 1975 due primarily to the decline in Provision for Doubtful Receivables resulting from reduced charge-offs relating to the catalog instalment accounts. This reduction was achieved because of lower credit sales, increased collection efforts, and the effect of restrictions on credit acceptance.

Reference is made to Note 2 to the Merchandising Division financial statements for an explanation of the Provision for Store Closings and Other Items.

Interest Expense increased 12.0% in 1978. This increase is the result of escalating interest rates; a program of independent, short-term financing for Spiegel, as opposed to the previous practice of borrowing from Beneficial at an interest rate of 7½%; and an increase in the loan portfolio of the consumer finance subsidiary of Spiegel. Interest Expense decreased by 13.2% in 1976 and by 24.5% in 1975. The decrease in 1976 was primarily due to lower interest rates and in 1975 was a result of lower interest rates and lower borrowings.

The decrease in Net Income of the Merchandising Division of 44.4% for 1978 is primarily a result of decreased volume at all the companies comprising the Division and an increase in Interest Expense. The 78.1% decline in Net Income for the Merchandising Division for the year ended December 31, 1977 as compared to the year 1976 results primarily from the substantial decline in demand for citizens band radios and the restructuring of certain merchandising activities, which necessitated the Provision for Store Closings and Other Items. Net Income for the Merchandising Division increased by 57.0% in 1976, primarily because of the increased volume in the wholesale and retail operations and improved catalog operations. In 1975, Net Income for the Division increased by 14.7%. These increases were primarily due to the Division's ability to capitalize on the rapid growth of the citizens band radio industry.

Beneficial Corporation Merchandising Division

Statement of Changes in Financial Position

(in thousands)	(Unaudited) Three Months Ended December 31 1978	1977	Years Ended December 31 1978	1977	1976	1975	1974
Source of Funds							
Net Income	$ 1,531	$ 213	$ 4,356	$ 7,841	$35,792	$ 22,797	$19,870
Expenses Not Requiring Concurrent Cash Outlays:							
Depreciation and Amortization	2,544	2,558	9,867	9,590	8,813	9,050	8,341
Deferred Income Taxes	69	178	911	1,082	876	962	828
Funds Provided by Operations	4,144	2,949	15,134	18,513	45,481	32,809	29,039
Long-Term Debt Issued	—	—	—	12	1,087	423	49,732
Disposal of Fixed Assets	666	1,790	1,139	2,675	1,060	144	538
Other	415	38	429	307	—	—	313
	$ 5,225	$ 4,777	$ 16,702	$21,507	$47,628	$ 33,376	$79,622
Application of Funds							
Addition to Fixed Assets	$ 3,404	$ 4,528	$ 11,830	$12,771	$ 8,683	$ 8,130	$16,285
Reduction of Long-Term Debt	50,956	2,262	106,585	9,445	8,805	1,846	3,432
Dividends Paid (exclusive of transfer of Midland to Beneficial) (Note 1a)	4,425	4,050	4,425	4,050	24,200	8,000	1,000
Other	84	(25)	348	187	266	489	452
Increase (Decrease) in Working Capital	(53,644)	(6,038)	(106,486)	(4,946)	5,674	14,911	58,453
	$ 5,225	$ 4,777	$ 16,702	$21,507	$47,628	$ 33,376	$79,622
Changes in Working Capital							
Increase (Decrease) in Current Assets:							
Cash	$ 3,470	$ 73	$ 19,306	$ 1,128	$ (264)	$(11,498)	$ 1,515
Net Receivables	2,394	883	(4,237)	1,316	10,742	(50,287)	(4,796)
Inventories	(27,221)	(25,225)	(17,099)	(2,712)	31,452	(13,329)	(1,265)
Prepaid Expenses	(2,950)	(4,163)	5,881	(347)	199	(1,893)	1,268
	(24,307)	(28,432)	3,851	(615)	42,129	(77,007)	(3,278)
Increase (Decrease) in Current Liabilities:							
Short-Term Notes and Long-Term Debt Due Within One Year	9,587	(51,518)	161,780	(44,107)	68,334	(44,447)	(33,683)
Accounts Payable	14,166	23,887	12,019	2,612	12,177	5,585	(432)
Payable to Beneficial Corporation	6,648	16,278	(61,168)	48,464	(39,684)	(56,245)	(39,291)
Deferred Income Taxes	383	(8,159)	(1,353)	(9,763)	(5,382)	(4,161)	10,188
Accrued Store Closings	(644)	(1,734)	(4,494)	7,733	—	—	—
Other Current Liabilities	(803)	(1,148)	3,553	(608)	1,010	7,350	1,487
	29,337	(22,394)	110,337	4,331	36,455	(91,918)	(61,731)
Increase (Decrease) in Working Capital	$(53,644)	$(6,038)	$(106,486)	$(4,946)	$ 5,674	$ 14,911	$58,453

The Notes to Financial Statements should be considered in connection with this statement.

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The financial statements include the accounts of Midland International Corporation (Midland) and Subsidiaries, Spiegel, Inc. (Spiegel) and Subsidiaries, and Western Auto Supply Company (Western Auto) and Subsidiaries. All significant intercompany transactions have been eliminated. Certain prior year amounts have been restated to conform with 1978 classifications.

Midland, Spiegel, and Western Auto are wholly-owned subsidiaries of Beneficial Corporation (Beneficial). On May 31, 1977, Midland (which had been a wholly-owned consolidated subsidiary of Western Auto) was transferred from Western Auto to Beneficial by means of a dividend retroactive to January 1, 1977. The dividend amount represented Western Auto's carrying value of its investment in Midland (which included excess cost of $996,000). Dividends paid of $5,710,000 reflected in the Merchandising Division's Statement of Income and Retained Earnings for the year ended December 31, 1977 include the amount of $1,660,000 consisting of: Excess Cost, $996,000 and Capital Stock of Midland, $664,000.

b) Examinations of Financial Statements. Examinations of the financial statements of the Merchandising Division are made as of June 30 and December 31 by independent Certified Public Accountants.

c) Receivables. Receivables consist of the following: a) instalment accounts, for which finance charges are recorded in income by either the effective yield method or sum-of-the-years digits method; b) revolving accounts, for which finance charges are recorded in income when billed to the customers; c) amounts due from associate store owners for merchandise and certain other wholesale customers, which normally do not earn finance charges if paid within the trade terms; and d) amounts due from customers of associate store owners, which earn finance charges calculated on the sum-of-the-years digits method. Instalment Accounts Receivable include $83.7 million at December 31, 1978 and $63.5 million at December 31, 1977 of consumer finance receivables of a subsidiary of Spiegel.

In accordance with merchandising industry practice, receivables (before deduction of unearned finance charges) include amounts becoming due after one year of $348.9 million at December 31, 1978 and $346.6 million at December 31, 1977.

d) Inventories. Inventories are priced at the lower of cost (first-in, first-out) or replacement market after considering obsolescence.

e) Taxes on Income. Results of operations are included in the consolidated federal income tax return of Beneficial. The total provisions for federal income taxes for financial statement purposes are approximately the same as they would have been had the companies filed separate returns. The item Payable to Beneficial Corporation includes federal income taxes payable.

f) Fixed Assets. Depreciation of fixed assets is provided on the straight-line method over their estimated useful lives.

Maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized. The cost and accumulated depreciation of fixed assets retired, sold, or otherwise disposed of are eliminated from the accounts at the time of disposal and any resulting gain or loss is reflected in income.

g) Employee Retirement Plans. Current retirement plan cost and provision for funding prior service costs are charged to expense.

h) Accruals for Merchandise Warranties. Reserves are maintained to provide for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

2. Store Closings and Other Items

In June of 1978 Midland discontinued its sporting goods and automobile accessories operations to concentrate on the development of its share of the consumer electronics field. Costs incurred with the restructuring are not significant.

At September 30, 1977 Spiegel provided $2.5 million for the closing of all catalog order stores, as management had determined that these stores were no longer a desirable marketing outlet. All catalog order stores have been closed and substantially all costs have been incurred.

At June 30, 1977 Western Auto established a provision of $9.6 million. Of this amount $7.0 million related to the closing of unprofitable retail stores and $2.6 million to inventory devaluation of discontinued items. At December 31, 1978, $3.2 million remains from the original provision for costs of retail store closings.

3. Transactions with Affiliates

An insurance subsidiary of Beneficial offers credit life insurance to Spiegel customers as well as to certain borrowers from a consumer loan subsidiary of Spiegel. A life insurance subsidiary of Spiegel assumes under reinsurance 100% (75% in 1977) of the coverage pertaining to Spiegel customers and 100% of the coverage pertaining to the consumer loan subsidiary customers. Premiums paid to the subsidiary of Beneficial were $5.9 million in 1978 and $5.8 million in 1977. The excess of such premiums over claims paid, adjustments to funded reserves, and commissions of 18% in 1978 and 15% in 1977 were paid to Spiegel and its subsidiaries in amounts aggregating $1.5 million in 1978 and $1.3 million in 1977.

Beneficial provides certain services for the collection of mail order receivables of Spiegel. Charges to Spiegel for such services aggregated $3.0 million in 1978 and $3.7 million in 1977.

4. Short-Term Notes

At December 31 these consist of the following:

(in thousands)	1978	1977
Commercial paper	$25,500	$31,500
Notes payable to banks	67,950	—
	$93,450	$31,500

Spiegel and Western Auto meet certain operating fund requirements through short-term bank borrowings. At December 31, 1978, $163.6 million in unused bank lines was available to the companies under various informal arrangements. Most arrangements provide for the maintenance of bank balances based upon a percentage of the available line or related borrowing, while others are based upon a fixed rate or give effect to normal operating bank balances. At December 31, 1978, $28.1 million in compensating bank balances was maintained in support of bank lines.

Western Auto also obtains operating funds from the sale of its commercial paper.

Midland and Spiegel obtain operating funds through borrowings from Beneficial at an interest rate of 7½%.

5. Long-Term Debt and Restrictions on Retained Earnings

A summary of long-term debt at December 31 follows:

(in thousands)	1978	1977
5.5% notes payable, due 1979	$ 50,000	$ 50,000
Debentures:		
9.5%, due 1979	50,000	50,000
7.85%, due 1996, with annual sinking fund payments	42,287	42,287
5.25%, due 1983	40,000	40,000
5%, due 1987	40,000	40,000
5.9% subordinated notes, due 1978 through 1980	10,000	15,000
Other long-term debt	5,996	7,751
	238,283	245,038
Less long-term debt due within one year	(105,667)	(5,837)
	$132,616	$239,201

The companies' long-term debt agreements contain certain covenants restricting the payment of dividends, the purchase and retirement of the companies' capital stock, investments, and indebtedness. Under the terms of the most restrictive covenants, approximately $82.7 million of the companies' Retained Earnings of $227.5 million at December 31, 1978 was available for the payment of dividends to Beneficial Corporation.

Annual long-term debt and sinking fund payments for the five years subsequent to December 31, 1978 are as follows (in millions): 1979, $105.7; 1980, $7.3; 1981, $2.5; 1982, $2.5; and 1983, $42.4.

6. Employee Profit Sharing and Retirement Plans

Profit sharing and retirement plans cover substantially all employees who have met specified requirements. The companies' contributions to these plans (charged to earnings) were $5.9 million for 1978 and $6.2 million for 1977.

At January 1, 1978, the date of the most recent valuation, the actuarially computed value of vested benefits under the retirement plans exceeded fund assets and balance sheet accruals by approximately $7.0 million.

7. Federal Taxes on Income

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. Charges (credits) to the deferred tax provision for the years ended December 31 are related to:

(in thousands)	1978	1977
Provision for store closings and other items	$ 1,498	$ (3,332)
Instalment basis for gross profit on credit sales	(876)	(4,879)
Depreciation	584	988
Provision for doubtful accounts	339	(1,549)
Provision for merchandise warranty reserves	(686)	(1,581)
Other	(800)	(832)
	$ 59	$(11,185)

A reconciliation between the expected and the effective federal income tax rates is as follows:

(in thousands)	1978	1977
Income before Provision for Income Taxes	$ 6,747	$ 14,164
Less State and Local Income Taxes	(563)	(950)
Income before Provision for Federal Income Taxes	$ 6,184	$ 13,214
Expected Provision for Federal Income Taxes	$ 2,968	$ 6,343
Expected Tax Rate	48.0%	48.0%
Increases (Decreases) in Tax Rate Resulting from:		
Income of insurance subsidiaries taxed at lower effective rates	(6.6)	(2.8)
Investment tax credit	(9.6)	(3.5)
Contribution of certain properties	(6.8)	—
Other	4.6	(1.0)
Effective Tax Rate	29.6%	40.7%
Provision for Federal Income Taxes	$1,828	$ 5,373

8. Leases

The companies occupy certain warehouse facilities and stores and use certain equipment under operating leases. Rent expense for the years ended December 31 was $18.6 million in 1978 and $20.9 million in 1977. Minimum lease commitments at December 31, 1978, excluding Western Auto retail stores to be closed, for which provision has been made (see Note 2), were:

(in millions)	
1979	$12.0
1980	10.7
1981	8.7
1982	7.6
1983	6.6
1984 through 1988	22.0
1989 through 1993	5.9
Thereafter	0.7
Total	$74.2

It is expected that, in the normal course of business, leases which expire will be renewed or replaced with leases on other properties; thus, it is expected that future minimum annual rentals will not be less than those for 1978.

9. Information by Group

The Merchandising Division consists of Midland, Spiegel, and Western Auto, and their respective subsidiaries. Midland is an international marketing and importing company that sells its merchandise at wholesale, primarily to domestic retailers. Spiegel is engaged in the sale through catalogs of merchandise by mail. Western Auto sells its merchandise at retail through company-owned stores and to independently-operated associate stores, located in smaller communities.

Midland sells merchandise to Western Auto and Spiegel at prices generally comparable to those charged unaffiliated customers. While Midland was owned by Western Auto, loans were made to Midland on which interest was charged at Western Auto's actual short-term borrowing costs plus a credit facility charge.

Information at December 31 and for the years then ended is as follows:

1978 (in millions)	Midland	Spiegel	Western Auto	Adjustments and Eliminations	Combined
Identifiable Assets	$40.8	$486.2	$470.4	$ (6.6)	$ 990.8
Net Sales and Other Revenue:					
Unaffiliated Customers	$62.1	$370.7	$683.0		$1,115.8
Intradivision	10.9			$(10.9)	
Total	$73.0	$370.7	$683.0	$(10.9)	$1,115.8
Operating Profit (Loss)	$(7.3)	$ 28.4	$ 19.3		$40.4
Interest Expense					(33.7)
Income Before Income Taxes					$ 6.7

1977	Midland	Spiegel	Western Auto	Adjustments and Eliminations	Combined
Identifiable Assets	$ 51.4	$458.4	$478.0	$ (1.6)	$ 986.2
Net Sales and Other Revenue:					
Unaffiliated Customers	$110.4	$377.0	$691.3		$1,178.7
Intradivision	11.1		0.8	$(11.9)	
Total	$121.5	$377.0	$692.1	$(11.9)	$1,178.7
Operating Profit (Loss)	$ (1.7)	$ 29.6	$ 29.2	$ (0.8)	$56.3
Interest Expense					(30.0)
Provision for Store Closings and Other Items					(12.1)
Income Before Income Taxes					$14.2

10. Contingencies

The U.S. Customs Service has assessed Midland $5.1 million for dumping duties on T.V. sets imported by Midland from Japan from 1969 through 1974. Midland is contesting these assessments. Midland believes that additional assessments will not exceed $3.0 million. Midland has not made significant purchases of T.V. sets of Japanese manufacture since 1976.

Western Auto, which has not received notice of any assessments of dumping duties, was not an importer of record of T.V. sets of Japanese manufacture prior to January 1, 1976. With regard to imports subsequent to that date through approximately April 1977, Western Auto estimates that assessments would not exceed approximately $5.1 million. Western Auto continued to import T.V. sets of Japanese manufacture from April 1977 through December 1978, purchasing approximately 10% more sets in this later period than in the earlier period but has no basis for estimating what assessments, if any, might be made in respect of such sets.

Counsel for Midland and Western Auto believes that the method currently being used by the U.S. Customs Service to assess dumping duties is contrary to the relevant statute, and formal protests of the method and amount of such assessments have been or will be filed. Customs is in the process of reviewing protests by Midland, and Midland believes that the above-mentioned assessments against it will be substantially reduced.

11. Replacement Cost Data (unaudited)

In accordance with regulations of the Securities and Exchange Commission, Western Auto and Spiegel have developed replacement cost information for inventory and fixed assets. This information is included in the Form 10-K of the respective companies filed with the Securities and Exchange Commission. Midland is not required to develop or report such information and if such information were included, in the opinion of management, it would not significantly change the amounts included in the Merchandising Division financial statements.

Inventories as stated for the Division at December 31, 1978 are not materially different from estimated replacement cost. Cost of sales at replacement value is marginally higher than the historic costs reflected in the financial statements.

The replacement cost of fixed assets and resulting depreciation expense would be significantly higher than amounts reflected in the financial statements of the Division; however, technological improvements in certain operations of the Division would offset, at least in part, this additional expense.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation Merchandising Division (Midland International Corporation and Subsidiaries, Spiegel, Inc. and Subsidiaries, and Western Auto Supply Company and Subsidiaries, combined) as of December 31, 1978 and 1977 and the related statements of income and retained earnings and changes in financial position for each of the five years ended December 31, 1978. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined financial statements present fairly the financial position of the Beneficial Corporation Merchandising Division at December 31, 1978 and 1977 and the results of its operations and changes in its financial position for the five years ended December 31, 1978, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
February 10, 1979

Beneficial Corporation Merchandising Division
Information by Group

Supplemental Information

(in thousands) Years Ended December 31	1978	1977	1976	1975	1974
Net Sales and Other Revenue					
Midland (a	$ 62,109	$ 110,380	$ 209,765	$ 88,017	$ 64,643
Spiegel	370,710	376,998	359,337	367,319	396,028
Western Auto	683,044	691,307	637,244	565,064	578,561
Combined	$1,115,863	$1,178,685	$1,206,346	$1,020,400	$1,039,232
Income (Loss) before Income Taxes					
Midland	$(9,387)	$(4,443)	$33,233	$12,418	$ (282)
Spiegel	9,915	11,605	10,971	9,052	10,261
Western Auto	6,219	7,002	26,552	25,122	29,592
Combined	$ 6,747	$14,164	$70,756	$46,592	$39,571
Net Income (Loss)					
Midland	$(4,673)	$(1,958)	$16,786	$ 6,397	$ (398)
Spiegel	6,016	6,429	5,655	4,650	5,288
Western Auto	3,013	3,370	13,351	11,750	14,980
Combined	$ 4,356	$ 7,841	$35,792	$22,797	$19,870

	Receivables, Net of Unearned Finance Charges (b		Allowance for Doubtful Receivables	
December 31	1978	1977	1978	1977
Midland	$ 13,881	$ 18,492	$ 417	$ 1,105
Spiegel	426,701	409,094	30,558	29,927
Western Auto	265,726	281,892	13,873	12,749
Combined	$706,308	$709,478	$44,848	$43,781

	Inventories		Total Assets		Shareholder's Equity	
	1978	1977	1978	1977	1978	1977
Midland	$ 17,397	$ 27,905	$ 34,197	$ 49,882	$ 11,853	$ 16,551
Spiegel	33,080	43,967	486,188	458,359	85,639	82,623
Western Auto	135,506	131,210	470,374	477,924	246,317	244,704
Combined	$185,983	$203,082	$990,759	$986,165	$343,809	$343,878

a) Excludes intradivision sales (in millions): $10.9, $11.1, $18.7, $15.4, and $11.8 respectively.
b) Excludes intradivision receivables.

Beneficial Corporation and Consolidated Subsidiaries
Eleven-Year Summary

Supplemental Information		
(amounts in thousands, except where noted) Years Ended December 31	1978	1977
During the Year		
Consolidated		
Net Income	$ 98,300	85,657
Earnings per Common Share (dollars):		
Primary	$ 4.19	3.64
Fully-diluted	$ 4.11	3.56
Average Number of Common Shares:		
Primary	22,102	21,808
Fully-diluted	22,710	22,686
Cash Dividends Paid per Common Share (dollars)	$ 1.70	1.60
Finance Division		
Volume of Finance Receivables Acquired less Unearned Finance Charges (b	$2,690,319	2,261,888
Number of Finance Receivables Acquired (b	2,450	2,127
Average Amount of Transaction (dollars) (b	$ 1,098	1,063
% of Monthly Cash Principal Collections to Average Monthly Balances	4.43	4.34
% of Finance Receivables Charged Off (after offsetting recoveries) to Average Monthly Balances	1.57	1.74
Revenue	$ 769,362	640,362
Income before Provision for Income Taxes	$ 154,751	137,149
Income from Finance Division	$ 91,466	77,816
% of Income from Finance Division to Revenue	11.89	12.15
Merchandising Division		
Net Sales and Other Revenue	$1,115,863	1,178,685
Income before Income Taxes	$ 6,747	14,164
Income from Merchandising Division	$ 4,356	7,841
% of Income from Merchandising Division to Net Sales and Other Revenue	0.39	0.67
At Year End		
Consolidated		
Total Debt	$2,731,380	2,275,581
Shareholders' Equity	$ 886,538	835,074
Ratio of Total Debt to Shareholders' Equity	3.08 to 1	2.73 to 1
Finance Division		
Finance Receivables less Unearned Finance Charges	$3,015,437	2,526,177
% of Unearned Finance Charges to Related Net Finance Receivables	28.00	28.86
Reserve for Possible Credit Losses	$ 147,836	126,309
% of Reserve for Possible Credit Losses to Finance Receivables less Unearned Finance Charges (c	5.00	5.00
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment) (d	1.15	1.08
Number of Accounts	2,976	2,451
Average Account Balance (dollars)	$ 1,013	1,031

Notes:
The data for all years include results of companies accounted for on a pooling of interest basis and all data have been adjusted for pooling of interests.

1976	1975	1974	1973	1972	1971	1970	1969	1968
100,407	73,367	63,682(a	75,773	82,204	68,755	59,194	53,627	51,965
4.52	3.34	2.83(a	3.51	3.92	3.22	2.71	2.45	2.37
4.05	2.94	2.55(a	3.04	3.30	2.75	2.36	2.14	2.07
20,436	19,145	19,103	18,705	18,413	18,143	17,885	17,488	17,047
24,436	24,451	24,479	24,459	24,494	24,516	24,494	24,493	24,461
1.4375	1.25	1.25	1.20	1.10	1.0667	1.0667	1.0667	1.0667
1,900,279	1,553,622	1,669,254	1,739,432	1,632,869	1,461,770	1,368,832	1,402,672	1,352,295
1,797	1,512	1,886	2,177	2,150	1,940	1,924	2,120	2,199
1,057	1,028	885	799	759	753	711	662	615
4.35	4.28	4.45	4.94	4.90	4.82	4.63	4.96	5.22
2.04	2.42	2.12	1.82	1.56	1.57	1.40	1.22	1.26
536,558	460,260	452,539	416,371	376,921	336,057	305,445	276,032	244,572
116,351	95,053	81,219	100,479	104,541	98,828	88,378	77,629	70,296
64,615	50,570	43,812	52,436	59,787	51,912	48,092	39,316	36,900
12.04	10.99	9.68	12.60	15.86	15.45	15.74	14.24	15.09
1,206,346	1,020,400	1,039,232	1,062,602	985,399	878,541	800,040	801,640	748,142
70,756	46,592	39,571	44,993	43,676	33,148	21,655	30,987	32,378
35,792	22,797	19,870	23,337	22,417	16,843	11,102	14,311	15,065
2.97	2.23	1.91	2.20	2.27	1.92	1.39	1.79	2.01
1,794,308	1,664,353	1,650,361	1,618,862	1,558,101	1,423,438	1,337,433	1,232,399	1,091,634
791,246	723,818	688,959	646,165	599,964	547,054	506,100	475,578	449,137
2.27 to 1	2.30 to 1	2.40 to 1	2.51 to 1	2.60 to 1	2.60 to 1	2.64 to 1	2.59 to 1	2.43 to 1
2,085,042	1,828,456	1,781,500	1,700,696	1,579,689	1,441,331	1,366,537	1,267,075	1,135,077
29.90	29.10	28.16	27.80	27.68	26.85	25.13	24.86	23.45
106,337	95,054	92,638	86,736	82,154	76,448	73,657	69,625	63,408
5.10	5.20	5.20	5.10	5.20	5.30	5.39	5.49	5.59
1.19	1.29	1.28	1.15	0.99	0.89	0.96	0.90	0.83
2,095	2,008	2,138	2,250	2,223	2,105	2,125	2,132	2,121
995	911	833	756	711	685	643	594	535

a) Excludes Extraordinary Credit of $12.1 million from sale of undeveloped land by a non-consolidated subsidiary (see Note 15, page 39). Primary and Fully-diluted Earnings per Common Share exclude Extraordinary Credit of $.64 and $.49 per share respectively.

b) Excluding bank credit card receivables.

c) Excluding bank credit card and leasing receivables.

d) Excluding receivables of West German subsidiary.

Beneficial Corporation and Consolidated Subsidiaries
Data by Calendar Quarter

Supplemental Information

(in thousands, except per share figures)	First Quarter	Second Quarter
Revenue		
Finance Division	$184,927	$184,085
Merchandising Division:		
Midland (excluding intradivision sales)	14,133	12,725
Spiegel, Inc.	82,139	78,575
Western Auto (excluding intradivision revenue)	159,133	201,019
Revenue from Merchandising Division	255,405	292,319
Total	$440,332	$476,404
Operating Income (Loss)		
Finance Division	$47,779	$32,747
Merchandising Division:		
Midland	(1,442)	(4,695)
Spiegel, Inc.	1,798	1,110
Western Auto	1,991	6,138
Operating Income (Loss) from Merchandising Division	2,347	2,553
Total	$50,126	$35,300
Net Income (Loss)		
Finance Division	$26,573	$20,102
Merchandising Division:		
Midland	(742)	(2,443)
Spiegel, Inc.	980	638
Western Auto	905	2,914
Income from Merchandising Division	1,143	1,109
Income from Savings and Loan Company	—	—
Total	$27,716	$21,211
Earnings Per Common Share		
Primary	$1.19	$.90
Fully-diluted	$1.17	$.88
Shares Entitled to Vote		
$5.50 Dividend Cumulative Convertible Preferred Stock:		
High Sales Price	$ 95.25	$103.00
Low Sales Price	85.25	93.00
Dividends Paid Per Share	1.375	1.375
$4.30 Dividend Cumulative Preferred Stock (Convertible prior to November 1, 1977):		
High Sales Price	51.875	49.00
Low Sales Price	48.25	46.25
Dividends Paid per Share (payable semi-annually)	2.15	—
Common Stock:		
High Sales Price	21.875	23.25
Low Sales Price	18.875	20.375
Dividends Paid Per Share	.40	.40

a) Quarterly figures do not add to total for year because of termination of convertibility of $4.30 Dividend Cumulative Preferred Stock on October 31, 1977.

b) Anti-dilutive, but included in total for year.

1978			1977				
Third Quarter	Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
$190,618	$209,732	$ 769,362	$147,384	$156,806	$165,954	$170,218	$ 640,362
14,817	20,434	62,109	39,485	23,609	24,985	22,301	110,380
79,863	130,133	370,710	84,812	77,309	85,439	129,438	376,998
159,620	163,272	683,044	163,142	196,486	166,809	164,870	691,307
254,300	313,839	1,115,863	287,439	297,404	277,233	316,609	1,178,685
$444,918	$523,571	$1,885,225	$434,823	$454,210	$443,187	$486,827	$1,819,047
$42,364	$34,070	$156,960	$35,612	$33,604	$41,679	$29,553	$140,448
(1,698)	(1,552)	(9,387)	3,421	974	(656)	(8,182)	(4,443)
1,790	5,217	9,915	2,139	907	(424)	8,983	11,605
286	(2,196)	6,219	6,560	435	1,550	(1,543)	7,002
378	1,469	6,747	12,120	2,316	470	(742)	14,164
$42,742	$35,539	$163,707	$47,732	$35,920	$42,149	$28,811	$154,612
$24,342	$20,449	$91,466	$19,027	$19,172	$23,488	$16,129	$77,816
(753)	(735)	(4,673)	1,753	593	(333)	(3,971)	(1,958)
1,173	3,225	6,016	1,104	590	(161)	4,896	6,429
153	(959)	3,013	3,149	264	669	(712)	3,370
573	1,531	4,356	6,006	1,447	175	213	7,841
1,021	1,457	2,478	—	—	—	—	—
$25,936	$23,437	$98,300	$25,033	$20,619	$23,663	$16,342	$85,657
$1.10	$1.00	$4.19	$1.08	$.88	$1.01	$.67	$3.64
$1.08	$ .98	$4.11	$1.01	$.83	$ .95	$.67	$3.56(a
$ 115.50	$113.75		$117.00	$110.00	$108.00	$101.00	
111.625	97.50		104.75	96.25	94.00	91.00	
1.375	1.375	$5.50	1.375	1.375	1.375	1.375	$5.50
51.00	48.00		60.375	52.875	54.00	51.50	
46.25	43.00		51.50	47.50	50.00	48.50	
2.15	—	4.30	2.15	—	2.15	—	4.30
26.375	26.00		27.00	25.125	24.75	23.375	
20.50	21.125		22.75	21.375	21.00	20.375	
.45	.45	1.70	.40	.40	.40	.40	1.60

Board of Directors

Cecil M. Benadom [1,3]	Retired; former President of Beneficial Corporation
Charles W. Bower [1,2]	Senior Vice-President and Treasurer
Robert C. Cannada [3,4]	Attorney at Law, Butler, Snow, O'Mara, Stevens & Company, Jackson, Mississippi
Elbert N. Carvel	Vice Chairman of the Board of Trustees of the University of Delaware; Chairman of the Board of Peoples Bank and Trust Company, a subsidiary
Finn M. W. Caspersen [1,2]	Chairman of Board of Directors and Chief Executive Officer
Freda R. Caspersen	Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware
Thomas W. Cullen [4]	Retired; former President of an affiliated holding company
George R. Evans [1,2]	Member of the Office of the President and Vice-Chairman of Board of Directors; Chairman of Board of Directors of Beneficial Management Corporation, a subsidiary
Leon A. Fults	Retired; former Chairman of Board of Directors of Western Auto Supply Company, a subsidiary
J. Thomas Gurney [4]	Attorney at Law, Gurney, Gurney & Handley, Orlando, Florida
Arnold T. Koch [4]	Of Counsel to Wormser, Kiely, Alessandroni & McCann, New York, New York
DeWitt J. Paul	Retired; former Chairman of Board of Directors of Beneficial Corporation
Robert A. Tucker [1,2]	Member of the Office of the President, First Vice-President and Chief Financial Officer
Richard A. Wagner	President and Chief Operating Officer of Beneficial Management Corporation, a subsidiary
Arthur T. Ward, Jr. [4]	Medical Doctor and businessman, Baltimore, Maryland
Charles H. Watts, II [1,3,4]	Educational and business consultant, McLean, Virginia
K. Martin Worthy	Attorney at Law, Hamel, Park, McCabe & Saunders, Washington, D.C.

Modie J. Spiegel	Director Emeritus
William E. Thompson	Director Emeritus
Ralph B. Williams	Director Emeritus

(1)Member of Executive Committee (Finn M. W. Caspersen, Chairman)
(2)Member of Finance Committee (Robert A. Tucker, Chairman)
(3)Member of Audit Committee (Charles H. Watts, II, Chairman)
(4)Member of Compensation Committee (Arnold T. Koch, Chairman)

Officers

Finn M. W. Caspersen	Chairman of Board of Directors and Chief Executive Officer
George R. Evans	Member of the Office of the President and Vice-Chairman of Board of Directors
Robert A. Tucker	Member of the Office of the President, First Vice-President and Chief Financial Officer
Charles W. Bower	Senior Vice-President and Treasurer
William A. Gross	Senior Vice-President
Edgar D. Baumgartner	Vice-President and Tax Counsel
Kenneth J. Kircher	Vice-President and Secretary
Russell W. Willey	Vice-President and Controller
Glenn E. Paton	Vice-President and Assistant Secretary
Charles H. Donovan	Auditor
John R. Doran	Assistant Vice-President and Assistant Treasurer
Robert F. Haag	Assistant Vice-President and Assistant Controller
Harold J. Robinson	Assistant Vice-President and Assistant Secretary
Joseph R. Roberge	Assistant Vice-President
Robert R. Meyer	Assistant Controller
Worthy A. Hollister	Assistant Auditor
Genevieve M. Nickerson	Assistant Secretary
Elmer H. Reynolds	Assistant Treasurer

Executive Committee	George R. Evans	Chairman	Robert A. Tucker	
	Finn M. W. Caspersen		Gordon L. Wadmond	Executive Vice-President
	Gerald L. Holm	Executive Vice-President	Richard A. Wagner	President and Chief Operating Officer
	R. Donald Quackenbush	Executive Vice-President Insurance		
Senior Vice-Presidents	Richard H. Bate	Counsel	Robert E. Gaegler	Insurance
	Leo R. Caron	Operating	Thomas E. Gerrity	Operating
	David J. Farris	Operating	Robert Mallock	Industry Relations
	John M. Farrell	Community Affairs	William G. Weiss	Operating
	Robert P. Freeman	Personnel		
Vice-Presidents	Joseph E. Chauvette	Controller	David B. Ward	Public Relations
	John M. Doman	Audit Controls	Charles E. Hance	Litigation Counsel
	Joseph A. Furey	State and Local Taxes	Lawrence Kelder	Executive Assistant
	Carl R. Majewski	Purchasing	James D. Warren	Secretary
	George B. Pearson	Planning and Research	Judith A. Bonnesen	Assistant Secretary
	William S. Prickett	Treasurer	Helen A. Hofbeck	Assistant Secretary and Secretary to Executive and Management Committees
	William G. Simpson	Corporate Benefits	John V. McCardle	Assistant Treasurer
	Clifford W. Snyder	Advertising		
	Leon Spitz	Real Estate		
	David W. Valentien	Management Information Services		
	Charles V. Walsh	Counsel, Public Relations		

Beneficial Management Corporation, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Principal Executives of Other Subsidiary Companies

Senior Vice-President	Joseph A. Stubits	Operating—Retail Credit		
Vice-Presidents	J. E. Aldridge	Western Pacific	W. James Murphy	Southern
	Kenneth D. Angevine	Beneficial Finance Co. of New York, Inc.	Charles L. Rounsavall	Midsouth
	Pierre E. Bashe	California North	Ronald E. Schoen	Toronto
	George B. Brush	New England	Vernon G. Smith	President and Treasurer Beneficial Finance Co. of New York, Inc.
	Dewey O. Cassler	Tri-State	Robert E. Styles	Midwest
	Ernest H. Cole	Southwest	Harry E. Vanderbank	East Central
	John France	United Kingdom	Daniel Wilczek	Central
	Grant H. Genske	Northwest	Murray W. Wilson	Australia
	Robert M. Grohol	Eastern	John F. Yarley	Gulf Coast
	J. Gaetan Helms	Montreal		
	George R. Evans	President Beneficial Finance Co. of Canada	Joseph A. Yankauskas	Vice-President Beneficial Data Processing Corporation
	J. Edward Kerwan	President Beneficial Data Processing Corporation	Bevan G. Walker	Vice-President, Secretary-Treasurer Beneficial Finance Co. of Canada
	John J. Leonard	Vice-President Beneficial Data Processing Corporation	Gerald S. Corsover	President Parliament Leasing Corporation
	Gene U. Rao	Vice-President Beneficial Data Processing Corporation		

Officers of One or More Companies

Beneficial Insurance Group

R. Donald Quackenbush	Chairman of the Board of Directors
Robert E. Gaegler	President
Mary R. Bermingham	Secretary and Treasurer
James T. Kearns	Senior Vice President Marketing—Life
Anthony F. Mita	Senior Vice President Administration
Albert G. Morhart, Jr.	Senior Vice President
William M. Campbell	Vice President
Roy F. Duke, Jr.	Vice President Investments
Andrew C. Halvorsen	Vice President Financial
William G. Jarman	Vice President Marketing—Life
Donald K. Smith	Vice President
John H. Suminski	Vice President and General Counsel
Laverne R. Wolfanger, Jr.	Vice President and Controller
Gloria P. Poole	Assistant Secretary
Carole E. Rehmer	Assistant Secretary

Foreign Companies

R. Donald Quackenbush	Chairman of the Board of Directors
Edward A. Dunbar	President or Managing Director
Robert E. Gaegler	Senior Vice President, Treasurer and Comptroller
Vanderpoel Adriance	Vice President Investments
Theodore H. Cassidy	Vice President
Nicholas G. Cooper	Vice President
Donald K. Smith	Vice President
Joy Orchard	Assistant Vice President and Assistant Secretary
Mary R. Bermingham	Assistant Secretary
Roger H. V. Dixon	Resident Counsel and Secretary United Kingdom
H. C. Butterfield	Resident Counsel and Secretary Bermuda

Officers

Western Auto Supply Company

Joseph C. Grissom	Chairman of the Board and Chief Executive Officer
J. Roger McDonald	President
William J. Sinkula	Senior Vice President
Kenneth L. Brown	Vice President and Treasurer
Louis L. Poplinger	Vice President and Secretary
Keith G. Brandt	Vice President
John H. Henke	Vice President
Stanley J. Hoffman	Vice President
William J. Knickerbocker	Vice President
Philip E. Long	Vice President
Carl W. Mahan	Vice President
Robert K. Washburn	Vice President
Gene L. Smith	Controller
R. P. Bradley	Assistant Treasurer
Ralph L. Wright	Assistant Secretary
Alvin L. Esbin	President of Eva Gabor International, Ltd.

Officers

Midland International Corporation

Robert W. McFadden	Chairman of the Board of Directors and Chief Executive Officer
Robert A. Caldwell	Vice President
Richard L. Looney	Vice President
Marvin E. Marstall	Controller
Louis L. Poplinger	Secretary

Officers

Spiegel, Inc.

Henry A. Johnson	Chairman of the Board of Directors and Chief Executive Officer
Edward J. Andrle	Vice President
John R. Erickson	Vice President
Joseph F. Garraty	Vice President
William M. Giuntoli	Vice President
Robert H. Hirshberg	Vice President
Walter B. Killough	Vice President
Albert H. Paul	Vice President
Edward J. Spiegel	Vice President
Paul A. Stinneford	Vice President and Secretary
Joseph A. Stubits	Vice President
Roderick Urquhart	Vice President
Alton M. Withers	Vice President and Treasurer
Michael R. Moran	Assistant Vice President and Assistant Secretary
Meyer Sheinfeld	Assistant Secretary
Caroline M. Biggs	Assistant Treasurer

Classes of Stock	Transfer Agents	Registrars
Common	Irving Trust Company, N.Y. Wilmington Trust Company Wilmington, Del. The First National Bank of Chicago	Chemical Bank, N.Y. Farmers Bank of the State of Delaware Wilmington, Del. Continental Illinois National Bank and Trust Company of Chicago
5% Cumulative Preferred	Irving Trust Company, N.Y. Wilmington Trust Company Wilmington, Del.	Manufacturers Hanover Trust Company, N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 Dividend Cumulative Convertible Preferred	Morgan Guaranty Trust Company of New York Wilmington Trust Company Wilmington, Del.	Citibank, N.A., N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 Dividend Cumulative Preferred	Bradford Trust Company, N.Y. Wilmington Trust Company Wilmington, Del.	The Chase Manhattan Bank, N.A., N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 Dividend Cumulative Preferred	Manufacturers Hanover Trust Company, N.Y. The First National Bank of Chicago	The Chase Manhattan Bank, N.A., N.Y. Continental Illinois National Bank and Trust Company of Chicago

The principal market on which the above classes of stock are traded is the New York Stock Exchange.

Form 10-K

In addition to the information included in this report, further data concerning the Company for the year 1978 is included in the Company's Annual Report on Securities and Exchange Commission Form 10-K.

If you desire to receive a copy of the Form 10-K (without charge), please address your request to Mr. Kenneth J. Kircher, Vice President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

Produced and designed by Shareholder Reports, Inc.
Portraits by Arnold Newman
Other photography by Donald R. Spiro

Beneficial Corporation
Wilmington, Delaware 19899